



## Senate

General Assembly

**File No. 503**

*January Session, 2001*

Substitute Senate Bill No. 1226

*Senate, April 30, 2001*

The Committee on Judiciary reported through SEN. COLEMAN of the 2nd Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

***AN ACT ADOPTING REVISED ARTICLE 9 OF THE UNIFORM  
COMMERCIAL CODE CONCERNING SECURED TRANSACTIONS.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 42a-9-101 of the general statutes is repealed and  
2 the following is substituted in lieu thereof:

3 This article [shall be known and] may be cited as "Uniform  
4 Commercial Code-Secured Transactions".

5 Sec. 2. Section 42a-9-102 of the general statutes is repealed and the  
6 following is substituted in lieu thereof:

7 [(1) Except as otherwise provided in section 42a-9-104 on excluded  
8 transactions, this article applies (a) to any transaction, regardless of its  
9 form, which is intended to create a security interest in personal  
10 property or fixtures including goods, documents, instruments, general  
11 intangibles, chattel paper or accounts; and also (b) to any sale of  
12 accounts or chattel paper.

13       (2) This article applies to security created by contract including  
14       pledge, assignment, chattel mortgage, chattel trust, trust deed, factor's  
15       lien, equipment trust, conditional sale, trust receipt, other lien or title  
16       retention contract and lease or consignment intended as security. This  
17       article does not apply to statutory liens except as provided in section  
18       42a-9-310.

19       (3) The application of this article to a security interest in a secured  
20       obligation is not affected by the fact that the obligation is itself secured  
21       by a transaction or interest to which this article does not apply.]

22       (a) In this article:

23       (1) "Accession" means goods that are physically united with other  
24       goods in such a manner that the identity of the original goods is not  
25       lost.

26       (2) "Account", except as used in "account for", means a right to  
27       payment of a monetary obligation, whether or not earned by  
28       performance, (i) for property that has been or is to be sold, leased,  
29       licensed, assigned or otherwise disposed of, (ii) for services rendered  
30       or to be rendered, (iii) for a policy of insurance issued or to be issued,  
31       (iv) for a secondary obligation incurred or to be incurred, (v) for  
32       energy provided or to be provided, (vi) for the use or hire of a vessel  
33       under a charter or other contract, (vii) arising out of the use of a credit  
34       or charge card or information contained on or for use with the card, or  
35       (viii) as winnings in a lottery or other game of chance operated or  
36       sponsored by a state, governmental unit of a state or person licensed or  
37       authorized to operate the game by a state or governmental unit of a  
38       state. The term includes health-care-insurance receivables. The term  
39       does not include (i) rights to payment evidenced by chattel paper or an  
40       instrument, (ii) commercial tort claims, (iii) deposit accounts, (iv)  
41       investment property, (v) letter-of-credit rights or letters of credit, or  
42       (vi) rights to payment for money or funds advanced or sold, other than  
43       rights arising out of the use of a credit or charge card or information

44 contained on or for use with the card.

45 (3) "Account debtor" means a person obligated on an account,  
46 chattel paper or general intangible. The term does not include persons  
47 obligated to pay a negotiable instrument, even if the instrument  
48 constitutes part of chattel paper.

49 (4) "Accounting", except as used in "accounting for", means a record:

50 (A) Authenticated by a secured party;

51 (B) Indicating the aggregate unpaid secured obligations as of a date  
52 not more than thirty-five days earlier or thirty-five days later than the  
53 date of the record; and

54 (C) Identifying the components of the obligations in reasonable  
55 detail.

56 (5) "Agricultural lien" means an interest, other than a security  
57 interest, in farm products:

58 (A) Which secures payment or performance of an obligation for:

59 (i) Goods or services furnished in connection with a debtor's  
60 farming operation; or

61 (ii) Rent on real property leased by a debtor in connection with its  
62 farming operation;

63 (B) Which is created by statute in favor of a person that:

64 (i) In the ordinary course of its business furnished goods or services  
65 to a debtor in connection with a debtor's farming operation; or

66 (ii) Leased real property to a debtor in connection with the debtor's  
67 farming operation; and

68 (C) Whose effectiveness does not depend on the person's possession

69 of the personal property.

70 (6) "As-extracted collateral" means:

71 (A) Oil, gas or other minerals that are subject to a security interest  
72 that:

73 (i) Is created by a debtor having an interest in the minerals before  
74 extraction; and

75 (ii) Attaches to the minerals as extracted; or

76 (B) Accounts arising out of the sale at the wellhead or minehead of  
77 oil, gas or other minerals in which the debtor had an interest before  
78 extraction.

79 (7) "Authenticate" means:

80 (A) To sign; or

81 (B) To execute or otherwise adopt a symbol, or encrypt or similarly  
82 process a record in whole or in part, with the present intent of the  
83 authenticating person to identify the person and adopt or accept a  
84 record.

85 (8) "Bank" means an organization that is engaged in the business of  
86 banking. The term includes savings banks, savings and loan  
87 associations, credit unions and trust companies.

88 (9) "Cash proceeds" means proceeds that are money, checks, deposit  
89 accounts or the like.

90 (10) "Certificate of title" means a certificate of title with respect to  
91 which a statute provides for the security interest in question to be  
92 indicated on the certificate as a condition or result of the security  
93 interest's obtaining priority over the rights of a lien creditor with  
94 respect to the collateral.

95       (11) "Chattel paper" means a record or records that evidence both a  
96       monetary obligation and a security interest in specific goods, a security  
97       interest in specific goods and software used in the goods, a security  
98       interest in specific goods and license of software used in the goods, a  
99       lease of specific goods, or a lease of specific goods and license of  
100       software used in the goods. In this subdivision, "monetary obligation"  
101       means a monetary obligation secured by the goods or owed under a  
102       lease of the goods and includes a monetary obligation with respect to  
103       software used in the goods. The term does not include (i) charters or  
104       other contracts involving the use or hire of a vessel, or (ii) records that  
105       evidence a right to payment arising out of the use of a credit or charge  
106       card or information contained on or for use with the card. If a  
107       transaction is evidenced by records that include an instrument or  
108       series of instruments, the group of records taken together constitutes  
109       chattel paper.

110       (12) "Collateral" means the property subject to a security interest or  
111       agricultural lien. The term includes:

112       (A) Proceeds to which a security interest attaches;

113       (B) Accounts, chattel paper, payment intangibles and promissory  
114       notes that have been sold; and

115       (C) Goods that are the subject of a consignment.

116       (13) "Commercial tort claim" means a claim arising in tort with  
117       respect to which:

118       (A) The claimant is an organization; or

119       (B) The claimant is an individual and the claim:

120       (i) Arose in the course of the claimant's business or profession; and

121       (ii) Does not include damages arising out of personal injury to or the

122 death of an individual.

123 (14) "Commodity account" means an account maintained by a  
124 commodity intermediary in which a commodity contract is carried for  
125 a commodity customer.

126 (15) "Commodity contract" means a commodity futures contract, an  
127 option on a commodity futures contract, a commodity option or  
128 another contract if the contract or option is:

129 (A) Traded on or subject to the rules of a board of trade that has  
130 been designated as a contract market for such a contract pursuant to  
131 federal commodities laws; or

132 (B) Traded on a foreign commodity board of trade, exchange or  
133 market, and is carried on the books of a commodity intermediary for a  
134 commodity customer.

135 (16) "Commodity customer" means a person for which a commodity  
136 intermediary carries a commodity contract on its books.

137 (17) "Commodity intermediary" means a person that:

138 (A) Is registered as a futures commission merchant under federal  
139 commodities law; or

140 (B) In the ordinary course of its business provides clearance or  
141 settlement services for a board of trade that has been designated as a  
142 contract market pursuant to federal commodities law.

143 (18) "Communicate" means:

144 (A) To send a written or other tangible record;

145 (B) To transmit a record by any means agreed upon by the persons  
146 sending and receiving the record; or

147 (C) In the case of transmission of a record to or by a filing office, to  
148 transmit a record by any means prescribed by filing-office regulation.

149 (19) "Consignee" means a merchant to which goods are delivered in  
150 a consignment.

151 (20) "Consignment" means a transaction, regardless of its form, in  
152 which a person delivers goods to a merchant for the purpose of sale  
153 and;

154 (A) The merchant:

155 (i) Deals in goods of that kind under a name other than the name of  
156 the person making delivery;

157 (ii) Is not an auctioneer; and

158 (iii) Is not generally known by its creditors to be substantially  
159 engaged in selling the goods of others;

160 (B) With respect to each delivery, the aggregate value of the goods is  
161 one thousand dollars or more at the time of delivery;

162 (C) The goods are not consumer goods immediately before delivery;  
163 and

164 (D) The transaction does not create a security interest that secures  
165 an obligation.

166 (21) "Consignor" means a person that delivers goods to a consignee  
167 in a consignment.

168 (22) "Consumer debtor" means a debtor in a consumer transaction.

169 (23) "Consumer goods" means goods that are used or bought for use  
170 primarily for personal, family or household purposes.

171 (24) "Consumer-goods transaction" means a consumer transaction in

172 which:

173 (A) An individual incurs an obligation primarily for personal,  
174 family or household purposes; and

175 (B) A security interest in consumer goods secures the obligation.

176 (25) "Consumer obligor" means an obligor who is an individual and  
177 who incurred the obligation as part of a transaction entered into  
178 primarily for personal, family or household purposes.

179 (26) "Consumer transaction" means a transaction in which (i) an  
180 individual incurs an obligation primarily for personal, family or  
181 household purposes, (ii) a security interest secures the obligation, and  
182 (iii) the collateral is held or acquired primarily for personal, family or  
183 household purposes. The term includes consumer-goods transactions.

184 (27) "Continuation statement" means an amendment of a financing  
185 statement which:

186 (A) Identifies, by its file number or, in the case of a recording with a  
187 filing office described in subdivision (1) of subsection (a) of section  
188 42a-9-501, as amended by this act, by book and page number, the  
189 initial financing statement to which it relates; and

190 (B) Indicates that it is a continuation statement for, or that it is filed  
191 to continue the effectiveness of, the identified financing statement.

192 (28) "Debtor" means:

193 (A) A person having an interest, other than a security interest or  
194 other lien, in the collateral, whether or not the person is an obligor;

195 (B) A seller of accounts, chattel paper, payment intangibles or  
196 promissory notes; or

197 (C) A consignee.



198     (29) "Deposit account" means a demand, time, savings, passbook or  
199     similar account maintained with a bank. The term does not include  
200     investment property, accounts evidenced by an instrument, payroll  
201     accounts, tax accounts or trust accounts.

202     (30) "Document" means a document of title or a receipt of the type  
203     described in subsection (2) of section 42a-7-201.

204     (31) "Electronic chattel paper" means chattel paper evidenced by a  
205     record or records consisting of information stored in an electronic  
206     medium.

207     (32) "Encumbrance" includes real property mortgages and other  
208     liens on real property and all other rights in real property that are not  
209     ownership interests.

210     (33) "Equipment" means goods other than inventory, farm products  
211     or consumer goods.

212     (34) "Farm products" means goods, other than standing timber, with  
213     respect to which the debtor is engaged in a farming operation and  
214     which are:

215         (A) Crops grown, growing or to be grown, including:

216             (i) Crops produced on trees, vines and bushes; and

217             (ii) Aquatic goods produced in aquacultural operations;

218         (B) Livestock, born or unborn, including aquatic goods produced in  
219         aquacultural operations;

220         (C) Supplies used or produced in a farming operation; or

221         (D) Products of crops or livestock in their unmanufactured states.

222     (35) "Farming operation" means raising, cultivating, propagating,

223 fattening, grazing or any other farming, livestock or aquacultural  
224 operation.

225 (36) "File number" means the number assigned to an initial  
226 financing statement pursuant to subsection (a) of section 90 of this act.

227 (37) "Filing office" means an office designated in section 42a-9-501,  
228 as amended by this act, as the place to file a financing statement.

229 (38) "Filing-office regulation" means a regulation adopted pursuant  
230 to section 97 of this act.

231 (39) "Financing statement" means a record or records composed of  
232 an initial financing statement and any filed record relating to the initial  
233 financing statement.

234 (40) "Fixture filing" means the filing of a financing statement  
235 covering goods that are or are to become fixtures and satisfying  
236 subsections (a) and (b) of section 42a-9-502, as amended by this act.  
237 The term includes the filing of a financing statement covering goods of  
238 a transmitting utility which are or are to become fixtures.

239 (41) "Fixtures" means goods that have become so related to  
240 particular real property that an interest in them arises under real  
241 property law.

242 (42) "General intangible" means any personal property, including  
243 things in action, other than accounts, chattel paper, commercial tort  
244 claims, deposit accounts, documents, goods, instruments, investment  
245 property, letter-of-credit rights, letters of credit, money and oil, gas or  
246 other minerals before extraction. The term includes payment  
247 intangibles and software.

248 (43) "Good faith" means honesty in fact and the observance of  
249 reasonable commercial standards of fair dealing.

250       (44) "Goods" means all things that are movable when a security  
251 interest attaches. The term includes (i) fixtures, (ii) standing timber that  
252 is to be cut and removed under a conveyance or contract for sale, (iii)  
253 the unborn young of animals, (iv) crops grown, growing or to be  
254 grown, even if the crops are produced on trees, vines or bushes, and  
255 (v) manufactured homes. The term also includes a computer program  
256 embedded in goods and any supporting information provided in  
257 connection with a transaction relating to the program if (i) the program  
258 is associated with the goods in such a manner that it customarily is  
259 considered part of the goods, or (ii) by becoming the owner of the  
260 goods, a person acquires a right to use the program in connection with  
261 the goods. The term does not include a computer program embedded  
262 in goods that consist solely of the medium in which the program is  
263 embedded. The term also does not include accounts, chattel paper,  
264 commercial tort claims, deposit accounts, documents, general  
265 intangibles, instruments, investment property, letter-of-credit rights,  
266 letters of credit, money or oil, gas or other minerals before extraction.

267       (45) "Governmental unit" means a subdivision, agency, department,  
268 county, parish, municipality, or other unit of the government of the  
269 United States, a state or a foreign country. The term includes an  
270 organization having a separate corporate existence if the organization  
271 is eligible to issue debt on which interest is exempt from income  
272 taxation under the laws of the United States.

273       (46) "Health-care-insurance receivable" means an interest in or claim  
274 under a policy of insurance which is a right to payment of a monetary  
275 obligation for health-care goods or services provided.

276       (47) "Instrument" means a negotiable instrument or any other  
277 writing that evidences a right to the payment of a monetary obligation,  
278 is not itself a security agreement or lease and is of a type that in  
279 ordinary course of business is transferred by delivery with any  
280 necessary endorsement or assignment. The term does not include (i)

281 investment property, (ii) letters of credit, or (iii) writings that evidence  
282 a right to payment arising out of the use of a credit or charge card or  
283 information contained on or for use with the card.

284 (48) "Inventory" means goods, other than farm products, which:

285 (A) Are leased by a person as lessor;

286 (B) Are held by a person for sale or lease or to be furnished under a  
287 contract of service;

288 (C) Are furnished by a person under a contract of service; or

289 (D) Consist of raw materials, work in process or materials used or  
290 consumed in a business.

291 (49) "Investment property" means a security, whether certificated or  
292 uncertificated, security entitlement, securities account, commodity  
293 contract or commodity account.

294 (50) "Jurisdiction of organization", with respect to a registered  
295 organization, means the jurisdiction under whose law the organization  
296 is organized.

297 (51) "Letter-of-credit right" means a right to payment or  
298 performance under a letter of credit, whether or not the beneficiary has  
299 demand or is at the time entitled to demand payment or  
300 performance. The term does not include the right of a beneficiary to  
301 demand payment or performance under a letter of credit.

302 (52) "Lien creditor" means:

303 (A) A creditor that has acquired a lien on the property involved by  
304 attachment, levy or the like;

305 (B) An assignee for benefit of creditors from the time of assignment;

306 (C) A trustee in bankruptcy from the date of the filing of the  
307 petition; or

308 (D) A receiver in equity from the time of appointment.

309 (53) "Manufactured home" means a "mobile manufactured home" as  
310 defined in section 21-64.

311 (54) "Manufactured-home transaction" means a secured transaction:

312 (A) That creates a purchase-money security interest in a  
313 manufactured home, other than a manufactured home held as  
314 inventory; or

315 (B) In which a manufactured home, other than a manufactured  
316 home held as inventory, is the primary collateral.

317 (55) "Mortgage" means a consensual interest in real property,  
318 including fixtures, which secures payment or performance of an  
319 obligation.

320 (56) "New debtor" means a person that becomes bound as debtor  
321 under subsection (d) of section 42a-9-203, as amended by this act, by a  
322 security agreement previously entered into by another person.

323 (57) "New value" means (i) money, (ii) money's worth in property,  
324 services or new credit, or (iii) release by a transferee of an interest in  
325 property previously transferred to the transferee. The term does not  
326 include an obligation substituted for another obligation.

327 (58) "Noncash proceeds" means proceeds other than cash proceeds.

328 (59) "Obligor" means a person that, with respect to an obligation  
329 secured by a security interest in or an agricultural lien on the collateral,  
330 (i) owes payment or other performance of the obligation, (ii) has  
331 provided property other than the collateral to secure payment or other  
332 performance of the obligation, or (iii) is otherwise accountable in

333 whole or in part for payment or other performance of the obligation.  
334 The term does not include issuers or nominated persons under a letter  
335 of credit.

336 (60) "Original debtor", except as used in subsection (c) of section  
337 42a-9-310, as amended by this act, means a person that, as debtor,  
338 entered into a security agreement to which a new debtor has become  
339 bound under subsection (d) of section 42a-9-203, as amended by this  
340 act.

341 (61) "Payment intangible" means a general intangible under which  
342 the account debtor's principal obligation is a monetary obligation.

343 (62) "Person related to", with respect to an individual, means:

344 (A) The spouse of the individual;

345 (B) A brother, brother-in-law, sister or sister-in-law of the  
346 individual;

347 (C) An ancestor or lineal descendant of the individual or the  
348 individual's spouse; or

349 (D) Any other relative, by blood or marriage, of the individual or  
350 the individual's spouse who shares the same home with the  
351 individual.

352 (63) "Person related to", with respect to an organization, means:

353 (A) A person directly or indirectly controlling, controlled by or  
354 under common control with the organization;

355 (B) An officer or director of, or a person performing similar  
356 functions with respect to, the organization;

357 (C) An officer or director of, or a person performing similar  
358 functions with respect to, a person described in subparagraph (A);

359 (D) The spouse of an individual described in subparagraph (A), (B)  
360 or (C); or

361 (E) An individual who is related by blood or marriage to an  
362 individual described in subparagraph (A), (B), (C) or (D) and shares  
363 the same home with the individual.

364 (64) "Proceeds", except as used in subsection (b) of section 106 of this  
365 act, means the following property:

366 (A) Whatever is acquired upon the sale, lease, license, exchange or  
367 other disposition of collateral;

368 (B) Rights arising out of collateral;

369 (C) To the extent of the value of collateral, claims arising out of the  
370 loss, nonconformity or interference with the use of, defects or  
371 infringement of rights in, or damage to, the collateral; or

372 (D) To the extent of the value of collateral and to the extent payable  
373 to the debtor or the secured party, insurance payable by reason of the  
374 loss or nonconformity of, defects or infringement of rights in, or  
375 damage to, the collateral.

376 (65) "Promissory note" means an instrument that evidences a  
377 promise to pay a monetary obligation, does not evidence an order to  
378 pay and does not contain an acknowledgment by a bank that the bank  
379 has received for deposit a sum of money or funds.

380 (66) "Proposal" means a record authenticated by a secured party  
381 which includes the terms on which the secured party is willing to  
382 accept collateral in full or partial satisfaction of the obligation it secures  
383 pursuant to sections 117, 118 and 119 of this act.

384 (67) "Public-finance transaction" means a secured transaction in  
385 connection with which:

386       (A) Debt securities are issued;

387       (B) All or a portion of the securities issued have an initial stated  
388 maturity of at least twenty years; and

389       (C) The debtor, obligor, secured party, account debtor or other  
390 person obligated on collateral, assignor or assignee of a secured  
391 obligation or assignor or assignee of a security interest is a state or a  
392 governmental unit of a state.

393       (68) "Pursuant to commitment", with respect to an advance made or  
394 other value given by a secured party, means pursuant to the secured  
395 party's obligation, whether or not a subsequent event of default or  
396 other event not within the secured party's control has relieved or may  
397 relieve the secured party from its obligation.

398       (69) "Record", except as used in "for record", "of record", "record or  
399 legal title" and "record owner", means information that is inscribed on  
400 a tangible medium or which is stored in an electronic or other medium  
401 and is retrievable in perceivable form.

402       (70) "Registered organization" means an organization organized  
403 solely under the law of a single state or the United States and as to  
404 which the state or the United States must maintain a public record  
405 showing the organization to have been organized.

406       (71) "Secondary obligor" means an obligor to the extent that:

407       (A) The obligor's obligation is secondary; or

408       (B) The obligor has a right of recourse with respect to an obligation  
409 secured by collateral against the debtor, another obligor or property of  
410 either.

411       (72) "Secured party" means:

412       (A) A person in whose favor a security interest is created or



413 provided for under a security agreement, whether or not any  
414 obligation to be secured is outstanding;

415 (B) A person that holds an agricultural lien;

416 (C) A consignor;

417 (D) A person to which accounts, chattel paper, payment intangibles  
418 or promissory notes have been sold;

419 (E) A trustee, indenture trustee, agent, collateral agent or other  
420 representative in whose favor a security interest or agricultural lien is  
421 created or provided for; or

422 (F) A person that holds a security interest arising under section 42a-  
423 2-401, section 42a-2-505, subsection (3) of section 42a-2-711, section 42a-  
424 4-210 or section 42a-5-118, as amended by this act.

425 (73) "Security agreement" means an agreement that creates or  
426 provides for a security interest.

427 (74) "Send", in connection with a record or notification, means:

428 (A) To deposit in the mail, deliver for transmission or transmit by  
429 any other usual means of communication, with postage or cost of  
430 transmission provided for, addressed to any address reasonable under  
431 the circumstances; or

432 (B) To cause the record or notification to be received within the time  
433 that it would have been received if properly sent under subparagraph  
434 (A).

435 (75) "Software" means a computer program and any supporting  
436 information provided in connection with a transaction relating to the  
437 program. The term does not include a computer program that is  
438 included in the definition of goods.

439     (76) "State" means a state of the United States, the District of  
440     Columbia, Puerto Rico, the United States Virgin Islands or any  
441     territory or insular possession subject to the jurisdiction of the United  
442     States.

443     (77) "Supporting obligation" means a letter-of-credit right or  
444     secondary obligation that supports the payment or performance of an  
445     account, chattel paper, a document, a general intangible, an instrument  
446     or investment property.

447     (78) "Tangible chattel paper" means chattel paper evidenced by a  
448     record or records consisting of information that is inscribed on a  
449     tangible medium.

450     (79) "Termination statement" means an amendment of a financing  
451     statement which:

452     (A) Identifies, by its file number or, in the case of a recording with a  
453     filing office described in subdivision (1) of subsection (a) of section  
454     42a-9-501, as amended by this act, by book and page number, the  
455     initial financing statement to which it relates; and

456     (B) Indicates either that it is a termination statement or that the  
457     identified financing statement is no longer effective.

458     (80) "Transmitting utility" means a person primarily engaged in the  
459     business of:

460     (A) Operating a railroad, subway, street railway or trolley bus;

461     (B) Transmitting communications electrically, electromagnetically or  
462     by light;

463     (C) Transmitting goods by pipeline or sewer; or

464     (D) Transmitting or producing and transmitting electricity, steam,  
465     gas or water.

- 466     (b) The following definitions in other articles apply to this article:
- 467     "Applicant". Section 42a-5-102.
- 468     "Beneficiary". Section 42a-5-102.
- 469     "Broker". Section 42a-8-102.
- 470     "Certificated security". Section 42a-8-102.
- 471     "Check". Section 42a-3-104.
- 472     "Clearing corporation". Section 42a-8-102.
- 473     "Contract for sale". Section 42a-2-106.
- 474     "Customer". Section 42a-4-104.
- 475     "Entitlement holder". Section 42a-8-102.
- 476     "Financial asset". Section 42a-8-102.
- 477     "Holder in due course". Section 42a-3-302.
- 478     "Issuer" (with respect to a letter of credit or letter-of-credit right).  
479     Section 42a-5-102.
- 480     "Issuer" (with respect to a security). Section 42a-8-201.
- 481     "Letter of credit". Section 42a-5-102.
- 482     "Merchant". Section 42a-2-104.
- 483     "Negotiable instrument". Section 42a-3-104.
- 484     "Nominated person". Section 42a-5-102.
- 485     "Note". Section 42a-3-104.
- 486     "Proceeds of a letter of credit". Section 42a-5-114.

487 "Prove". Section 42a-3-103.

488 "Sale". Section 42a-2-106.

489 "Securities account". Section 42a-8-501.

490 "Securities intermediary". Section 42a-8-102.

491 "Security". Section 42a-8-102.

492 "Security certificate". Section 42a-8-102.

493 "Security entitlement". Section 42a-8-102.

494 "Uncertificated security". Section 42a-8-102.

495 (c) Article 1 contains general definitions and principles of  
496 construction and interpretation applicable throughout this article.

497 Sec. 3. Section 42a-9-103a of the general statutes is repealed and the  
498 following is substituted in lieu thereof:

499 [(1) (a) This subsection applies to documents, instruments, rights to  
500 proceeds of written letters of credit and goods other than those  
501 covered by a certificate of title described in subsection (2), mobile  
502 goods described in subsection (3), and minerals described in  
503 subsection (5); (b) except as otherwise provided in this subsection,  
504 perfection and the effect of perfection or nonperfection of a security  
505 interest in collateral are governed by the law of the jurisdiction where  
506 the collateral is when the last event occurs on which is based the  
507 assertion that the security interest is perfected or unperfected; (c) if the  
508 parties to a transaction creating a purchase money security interest in  
509 goods in one jurisdiction understand at the time that the security  
510 interest attaches that the goods will be kept in another jurisdiction,  
511 then the law of the other jurisdiction governs the perfection and the  
512 effect of perfection or nonperfection of the security interest from the  
513 time it attaches until thirty days after the debtor receives possession of

514 the goods and thereafter if the goods are taken to the other jurisdiction  
515 before the end of the thirty-day period; (d) when collateral is brought  
516 into and kept in this state while subject to a security interest perfected  
517 under the law of the jurisdiction from which the collateral was  
518 removed, the security interest remains perfected, but if action is  
519 required by part 3 of this article to perfect the security interest, (i) if  
520 such action is not taken before the expiration of the period of  
521 perfection in the other jurisdiction or the end of four months after the  
522 collateral is brought into this state, whichever period first expires, the  
523 security interest becomes unperfected at the end of that period and is  
524 thereafter deemed to have been unperfected as against a person who  
525 became a purchaser after removal; (ii) if such action is taken before the  
526 expiration of the period specified in subparagraph (i), the security  
527 interest continues perfected thereafter; (iii) for the purpose of priority  
528 over a buyer of consumer goods as provided in subsection (2) of  
529 section 42a-9-307, the period of the effectiveness of a filing in the  
530 jurisdiction from which the collateral is removed is governed by the  
531 rules with respect to perfection in subparagraphs (i) and (ii) of this  
532 subsection.

533 (2) (a) Subsection (2) applies to goods covered by a certificate of title  
534 issued under a statute of this state or of another jurisdiction under the  
535 law of which indication of a security interest on the certificate is  
536 required as a condition of perfection; (b) except as otherwise provided  
537 in this subsection, perfection and the effect of perfection or  
538 nonperfection of the security interest are governed by the law,  
539 including the conflict of laws rules, of the jurisdiction issuing the  
540 certificate until four months after the goods are removed from that  
541 jurisdiction and thereafter until the goods are registered in another  
542 jurisdiction, but in any event not beyond surrender of the certificate.  
543 After the expiration of such period, the goods are not covered by the  
544 certificate of title within the meaning of this section; (c) except with  
545 respect to the rights of a buyer described in subdivision (d), a security  
546 interest, perfected in another jurisdiction otherwise than by notation

547 on a certificate of title, in goods brought into this state and thereafter  
548 covered by a certificate of title issued by this state is subject to the rules  
549 stated in subdivision (d) of subsection (1) of this section; (d) if goods  
550 are brought into this state while a security interest therein is perfected  
551 in any manner under the law of the jurisdiction from which the goods  
552 are removed and a certificate of title is issued by this state and the  
553 certificate does not show that the goods are subject to the security  
554 interest or that they may be subject to security interests not shown on  
555 the certificate, the security interest is subordinate to the rights of a  
556 buyer of the goods who is not in the business of selling goods of that  
557 kind to the extent that he gives value and receives delivery of the  
558 goods after issuance of the certificate and without knowledge of the  
559 security interest.

560 (3) (a) Subsection (3) applies to accounts, other than an account  
561 described in subsection (5) of this section on minerals, and general  
562 intangibles, other than certificated securities and to goods which are  
563 mobile and which are of a type normally used in more than one  
564 jurisdiction, such as motor vehicles, trailers, rolling stock, airplanes,  
565 shipping containers, road building and construction machinery and  
566 commercial harvesting machinery and the like, if the goods are  
567 equipment or are inventory leased or held for lease by the debtor to  
568 others, and are not covered by a certificate of title described in  
569 subsection (2) of this section; (b) the law, including the conflict of laws  
570 rules, of the jurisdiction in which the debtor is located governs the  
571 perfection and the effect of perfection or nonperfection of the security  
572 interest; (c) if, however, the debtor is located in a jurisdiction which is  
573 not a part of the United States, and which does not provide for  
574 perfection of the security interest by filing or recording in that  
575 jurisdiction, the law of the jurisdiction in the United States in which  
576 the debtor has its major executive office in the United States governs  
577 the perfection and the effect of perfection or nonperfection of the  
578 security interest through filing. In the alternative, if the debtor is  
579 located in a jurisdiction which is not a part of the United States or

580 Canada and the collateral is accounts or general intangibles for money  
581 due or to become due, the security interest may be perfected by  
582 notification to the account debtor. As used in this subdivision, "United  
583 States" includes its territories and possessions and the Commonwealth  
584 of Puerto Rico; (d) a debtor shall be deemed located at his place of  
585 business if he has one, at his chief executive office if he has more than  
586 one place of business, otherwise at his residence. If, however, the  
587 debtor is a foreign air carrier under the Federal Aviation Act of 1958, as  
588 amended, it shall be deemed located at the designated office of the  
589 agent upon whom service of process may be made on behalf of the  
590 foreign air carrier; (e) a security interest perfected under the law of the  
591 jurisdiction of the location of the debtor is perfected until the  
592 expiration of four months after a change of the debtor's location to  
593 another jurisdiction, or until perfection would have ceased by the law  
594 of the first jurisdiction, whichever period first expires. Unless perfected  
595 in the new jurisdiction before the end of that period, it becomes  
596 unperfected thereafter and is deemed to have been unperfected as  
597 against a person who became a purchaser after the change.

598 (4) The rules stated for goods in subsection (1) of this section apply  
599 to a possessory security interest in chattel paper. The rules stated for  
600 accounts in subsection (3) of this section apply to a nonpossessory  
601 security interest in chattel paper, but the security interest may not be  
602 perfected by notification to the account debtor.

603 (5) Perfection and the effect of perfection or nonperfection of a  
604 security interest which is created by a debtor who has an interest in  
605 minerals or the like, including oil and gas, before extraction and which  
606 attaches thereto as extracted, or which attaches to an account resulting  
607 from the sale thereof at the wellhead or minehead are governed by the  
608 law, including the conflict of laws rules, of the jurisdiction wherein the  
609 wellhead or minehead is located.

610 (6) (a) This subsection applies to investment property.

611 (b) Except as otherwise provided in subdivision (f) of this  
612 subsection, during the time that a security certificate is located in a  
613 jurisdiction, perfection of a security interest, the effect of perfection or  
614 nonperfection, and the priority of a security interest in the certificated  
615 security represented thereby are governed by the local law of that  
616 jurisdiction.

617 (c) Except as otherwise provided in subdivision (f) of this  
618 subsection, perfection of a security interest, the effect of perfection or  
619 nonperfection and the priority of a security interest in an uncertificated  
620 security are governed by the local law of the issuer's jurisdiction as  
621 specified in subsection (d) of section 42a-8-110.

622 (d) Except as otherwise provided in subdivision (f) of this  
623 subsection, perfection of a security interest, the effect of perfection or  
624 nonperfection and the priority of a security interest in a security  
625 entitlement or securities account are governed by the local law of the  
626 securities intermediary's jurisdiction as specified in subsection (e) of  
627 section 42a-8-110.

628 (e) Except as otherwise provided in subdivision (f) of this  
629 subsection, perfection of a security interest, the effect of perfection or  
630 nonperfection and the priority of a security interest in a commodity  
631 contract or commodity account are governed by the local law of the  
632 commodity intermediary's jurisdiction. The following rules determine  
633 a "commodity intermediary's jurisdiction" for purposes of this  
634 subdivision:

635 (i) If an agreement between the commodity intermediary and  
636 commodity customer specifies that it is governed by the law of a  
637 particular jurisdiction, that jurisdiction is the commodity  
638 intermediary's jurisdiction.

639 (ii) If an agreement between the commodity intermediary and  
640 commodity customer does not specify the governing law as provided



641 in subparagraph (i) of this subdivision, but expressly specifies that the  
642 commodity account is maintained at an office in a particular  
643 jurisdiction, that jurisdiction is the commodity intermediary's  
644 jurisdiction.

645 (iii) If an agreement between the commodity intermediary and  
646 commodity customer does not specify a jurisdiction as provided in  
647 subparagraph (i) or (ii) of this subdivision, the commodity  
648 intermediary's jurisdiction is the jurisdiction in which is located the  
649 office identified in an account statement as the office serving the  
650 commodity customer's account.

651 (iv) If an agreement between the commodity intermediary and  
652 commodity customer does not specify a jurisdiction as provided in  
653 subparagraph (i) or (ii) of this subdivision and an account statement  
654 does not identify an office serving the commodity customer's account  
655 as provided in subparagraph (iii) of this subdivision, the commodity  
656 intermediary's jurisdiction is the jurisdiction in which is located the  
657 chief executive office of the commodity intermediary.

658 (f) Perfection of a security interest by filing, automatic perfection of  
659 a security interest in investment property granted by a broker or  
660 securities intermediary and automatic perfection of a security interest  
661 in a commodity contract or commodity account granted by a  
662 commodity intermediary are governed by the local law of the  
663 jurisdiction in which the debtor is located.]

664 (a) In this section:

665 (1) "Purchase-money collateral" means goods or software that  
666 secures a purchase-money obligation incurred with respect to that  
667 collateral; and

668 (2) "Purchase-money obligation" means an obligation of an obligor  
669 incurred as all or part of the price of the collateral or for value given to

670 enable the debtor to acquire rights in or the use of the collateral if the  
671 value is in fact so used.

672 (b) A security interest in goods is a purchase-money security  
673 interest:

674 (1) To the extent that the goods are purchase-money collateral with  
675 respect to that security interest;

676 (2) If the security interest is in inventory that is or was purchase-  
677 money collateral, also to the extent that the security interest secures a  
678 purchase-money obligation incurred with respect to other inventory in  
679 which the secured party holds or held a purchase-money security  
680 interest; and

681 (3) Also to the extent that the security interest secures a purchase-  
682 money obligation incurred with respect to software in which the  
683 secured party holds or held a purchase-money security interest.

684 (c) A security interest in software is a purchase-money security  
685 interest to the extent that the security interest also secures a purchase-  
686 money obligation incurred with respect to goods in which the secured  
687 party holds or held a purchase-money security interest if:

688 (1) The debtor acquired its interest in the software in an integrated  
689 transaction in which it acquired an interest in the goods; and

690 (2) The debtor acquired its interest in the software for the principal  
691 purpose of using the software in the goods.

692 (d) The security interest of a consignor in goods that are the subject  
693 of a consignment is a purchase-money security interest in inventory.

694 (e) (1) In a transaction other than a consumer-goods transaction, if  
695 the extent to which a security interest is a purchase-money security  
696 interest depends on the application of a payment to a particular

697 obligation, the payment must be applied:

698 (A) In accordance with any reasonable method of application to  
699 which the parties agree;

700 (B) In the absence of the parties' agreement to a reasonable method,  
701 in accordance with any intention of the obligor manifested at or before  
702 the time of payment; or

703 (C) In the absence of an agreement to a reasonable method and a  
704 timely manifestation of the obligor's intention, in the following order:

705 (i) To obligations that are not secured; and

706 (ii) If more than one obligation is secured, to obligations secured by  
707 purchase-money security interests in the order in which those  
708 obligations were incurred.

709 (2) In a consumer-goods transaction, if the extent to which a security  
710 interest is a purchase-money security interest depends on the  
711 application of a payment to a particular obligation:

712 (A) The payment must be applied so that the secured party retains  
713 no purchase money security interest in any property as to which the  
714 secured party has recovered payments aggregating the amount of the  
715 sale price including any finance charges attributable thereto; and

716 (B) For the purposes of this subsection only, in the case of items  
717 purchased on different dates, the first item purchased shall be deemed  
718 the first paid for and, in the case of items purchased on the same date,  
719 the lowest priced item shall be deemed the first paid for.

720 (f) In a transaction other than a consumer-goods transaction, a  
721 purchase-money security interest does not lose its status as such, even  
722 if:

723 (1) The purchase-money collateral also secures an obligation that is

724 not a purchase-money obligation;

725 (2) Collateral that is not purchase-money collateral also secures the  
726 purchase-money obligation; or

727 (3) The purchase-money obligation has been renewed, refinanced,  
728 consolidated or restructured.

729 (g) In a transaction other than a consumer-goods transaction, a  
730 secured party claiming a purchase-money security interest has the  
731 burden of establishing the extent to which the security interest is a  
732 purchase-money security interest.

733 (h) The limitation of the rules in subsections (f) and (g) of this  
734 section to transactions other than consumer-goods transactions is  
735 intended to leave to the court the determination of the proper rules in  
736 consumer-goods transactions. The court may not infer from that  
737 limitation the nature of the proper rule in consumer-goods transactions  
738 and may continue to apply established approaches. Those approaches  
739 may apply principles of existing statutory and case law that apply to  
740 analogous consumer transactions in similar goods under part XI of  
741 chapter 669 and under other law of this state.

742 Sec. 4. Section 42a-9-104 of the general statutes is repealed and the  
743 following is substituted in lieu thereof:

744 [This article does not apply (a) to a security interest subject to any  
745 statute of the United States to the extent that such statute governs the  
746 rights of parties to and third parties affected by transactions in  
747 particular types of property; or (b) to a landlord's lien; or (c) to a lien  
748 given by statute or other rule of law for services or materials except as  
749 provided in section 42a-9-310 on priority of such liens; or (d) to a  
750 transfer of a claim for wages, salary or other compensation of an  
751 employee; or (e) to a transfer by a government or governmental  
752 subdivision or agency; or (f) to a sale of accounts or chattel paper as

753 part of a sale of the business out of which they arose, or an assignment  
754 of accounts or chattel paper which is for the purpose of collection only,  
755 or a transfer of a right to payment under a contract to an assignee who  
756 is also to do the performance under the contract or a transfer of a  
757 single account to an assignee in whole or partial satisfaction of a  
758 preexisting indebtedness; or (g) to a transfer of an interest or claim in  
759 or under any policy of insurance, except as provided with respect to  
760 proceeds and priorities in proceeds; or (h) to a right represented by a  
761 judgment, other than a judgment taken on a right to payment which  
762 was collateral; or (i) to any right of set-off; or (j) except to the extent  
763 that provision is made for fixtures in section 42a-9-313, to the creation  
764 or transfer of an interest in or lien on real estate, including a lease or  
765 rents thereunder; or (k) to a transfer in whole or in part of any claim  
766 arising out of tort; or (l) to a transfer of an interest in any deposit  
767 account, except as provided with respect to proceeds and priorities in  
768 proceeds; or (m) to a transfer of an interest in a letter of credit other  
769 than the rights to proceeds of a written letter of credit. ]

770 (a) A secured party has control of a deposit account if:

771 (1) The secured party is the bank with which the deposit account is  
772 maintained;

773 (2) The debtor, secured party and bank have agreed in an  
774 authenticated record that the bank will comply with instructions  
775 originated by the secured party directing disposition of the funds in  
776 the deposit account without further consent by the debtor; or

777 (3) The secured party becomes the bank's customer with respect to  
778 the deposit account.

779 (b) A secured party that has satisfied subsection (a) of this section  
780 has control, even if the debtor retains the right to direct the disposition  
781 of funds from the deposit account.

782       Sec. 5. Section 42a-9-105 of the general statutes is repealed and the  
783 following is substituted in lieu thereof:

784       [(1) In this article unless the context otherwise requires: (a) "Account  
785 debtor" means the person who is obligated on an account, chattel  
786 paper or general intangible; (b) "chattel paper" means a writing or  
787 writings which evidence both a monetary obligation and a security  
788 interest in or a lease of specific goods, but a charter or other contract  
789 involving the use or hire of a vessel is not chattel paper. When a  
790 transaction is evidenced both by such a security agreement or a lease  
791 and by an instrument or a series of instruments, the group of writings  
792 taken together constitutes chattel paper; (c) "collateral" means the  
793 property subject to a security interest, and includes accounts and  
794 chattel paper which have been sold; (d) "debtor" means the person  
795 who owes a payment or other performance of the obligation secured,  
796 whether or not he owns or has rights in the collateral, and includes the  
797 seller of accounts or chattel paper. Where the debtor and the owner of  
798 the collateral are not the same person, the term "debtor" means the  
799 owner of the collateral in any provision of the article dealing with the  
800 collateral, the obligor in any provision dealing with the obligation, and  
801 may include both where the context so requires; (e) "deposit account"  
802 means a demand, time, savings, passbook or like account maintained  
803 with a bank, savings and loan association, credit union or like  
804 organization, other than an account evidenced by a certificate of  
805 deposit; (f) "document" means document of title as defined in the  
806 general definitions of section 42a-1-201, and a receipt of the kind  
807 described in subsection (2) of section 42a-7-201; (g) "encumbrance"  
808 includes real estate mortgages and other liens on real estate and all  
809 other rights in real estate that are not ownership interest; (h) "goods"  
810 includes all things which are movable at the time the security interest  
811 attaches or which are fixtures, as provided in section 42a-9-313, but  
812 does not include money, documents, instruments, investment  
813 property, accounts, chattel paper, general intangibles or minerals or  
814 the like, including oil and gas, before extraction. "Goods" also includes

815 standing timber which is to be cut and removed under a conveyance or  
816 contract for sale, the unborn young of animals and growing crops; (i)  
817 "instrument" means a negotiable instrument, as defined in section 42a-  
818 3-104, or any other writing which evidences a right to the payment of  
819 money and is not itself a security agreement or lease and is of a type  
820 which is in ordinary course of business transferred by delivery with  
821 any necessary endorsement or assignment. The term does not include  
822 investment property; (j) "mortgage" means a consensual interest  
823 created by a real estate mortgage, a trust deed on real estate or the like;  
824 (k) an advance is made "pursuant to commitment" if the secured party  
825 has bound himself to make it, whether or not a subsequent event of  
826 default or other event not within his control has relieved or may  
827 relieve him from his obligation; (l) "security agreement" means an  
828 agreement which creates or provides for a security interest; (m)  
829 "secured party" means a lender, seller or other person in whose favor  
830 there is a security interest, including a person to whom accounts or  
831 chattel paper have been sold. When the holders of obligations issued  
832 under an indenture of trust, equipment trust agreement or the like are  
833 represented by a trustee or other person, the representative is the  
834 secured party; (n) "transmitting utility" means any person primarily  
835 engaged in the railroad business, the electric or electronics  
836 communications transmission business, the transmission of goods by  
837 pipeline, or the transmission or the production and transmission of  
838 electricity, steam, gas or water, or the provision of sewer service.

839 (2) Other definitions applying to this article and the sections in  
840 which they appear are:

841 "Account". Section 42a-9-106.

842 "Attach". Section 42a-9-203.

843 "Commodity contract". Section 42a-9-115.

844 "Commodity customer". Section 42a-9-115.

- 845 "Commodity intermediary". Section 42a-9-115.
- 846 "Construction mortgage". Section 42a-9-313(1).
- 847 "Consumer goods". Section 42a-9-109(1).
- 848 "Control". Section 42a-9-115.
- 849 "Equipment". Section 42a-9-109(2).
- 850 "Farm products". Section 42a-9-109(3).
- 851 "Fixture". Section 42a-9-313.
- 852 "Fixture filing". Section 42a-9-313.
- 853 "General intangibles". Section 42a-9-106.
- 854 "Inventory". Section 42a-9-109(4).
- 855 "Investment property". Section 42a-9-115.
- 856 "Lien creditor". Section 42a-9-301(3).
- 857 "Proceeds". Section 42a-9-306(1).
- 858 "Purchase money security interest". Section 42a-9-107.
- 859 "United States". Section 42a-9-103a.
- 860 (3) The following definitions in other articles apply to this article:
- 861 "Broker". Section 42a-8-102.
- 862 "Certificated security". Section 42a-8-102.
- 863 "Check". Section 42a-3-104.
- 864 "Clearing corporation". Section 42a-8-102.



865 "Contract for sale". Section 42a-2-106.

866 "Control". Section 42a-8-106.

867 "Delivery". Section 42a-8-301.

868 "Entitlement holder". Section 42a-8-102.

869 "Financial asset". Section 42a-8-102

870 "Holder in due course". Section 42a-3-302.

871 "Letter of credit". Section 42a-5-102.

872 "Note". Section 42a-3-104.

873 "Proceeds of a letter of credit". Section 42a-5-114(a).

874 "Sale". Section 42a-2-106.

875 "Securities intermediary". Section 42a-8-102.

876 "Security". Section 42a-8-102.

877 "Security certificate". Section 42a-8-102.

878 "Security entitlement". Section 42a-8-102.

879 "Uncertificated security". Section 42a-8-102.

880 (4) In addition article 1 contains general definitions and principles of  
881 construction and interpretation applicable throughout this article.]

882 A secured party has control of electronic chattel paper if the record  
883 or records comprising the chattel paper are created, stored and  
884 assigned in such a manner that:

885 (1) A single authoritative copy of the record or records exists which  
886 is unique, identifiable and, except as otherwise provided in

887 subdivisions (4), (5) and (6), unalterable;

888 (2) The authoritative copy identifies the secured party as the  
889 assignee of the record or records;

890 (3) The authoritative copy is communicated to and maintained by  
891 the secured party or its designated custodian;

892 (4) Copies or revisions that add or change an identified assignee of  
893 the authoritative copy can be made only with the participation of the  
894 secured party;

895 (5) Each copy of the authoritative copy and any copy of a copy is  
896 readily identifiable as a copy that is not the authoritative copy; and

897 (6) Any revision of the authoritative copy is readily identifiable as  
898 an authorized or unauthorized revision.

899 Sec. 6. Section 42a-9-106 of the general statutes is repealed and the  
900 following is substituted in lieu thereof:

901 ["Account" means any right to payment for goods sold or leased or  
902 for services rendered which is not evidenced by an instrument or  
903 chattel paper, whether or not it has been earned by performance.  
904 "General intangibles" means any personal property, including things in  
905 action, other than goods, accounts, chattel paper, documents,  
906 instruments, investment property, rights to proceeds of written letters  
907 of credit and money. All rights to payment earned or unearned under  
908 a charter or other contract involving the use or hire of a vessel and all  
909 rights incident to the charter or contract are accounts.]

910 (a) A person has control of a certificated security, uncertificated  
911 security or security entitlement as provided in section 42a-8-106.

912 (b) A secured party has control of a commodity contract if:

913 (1) The secured party is the commodity intermediary with which the

914 commodity contract is carried; or

915 (2) The commodity customer, secured party and commodity  
916 intermediary have agreed that the commodity intermediary will apply  
917 any value distributed on account of the commodity contract as  
918 directed by the secured party without further consent by the  
919 commodity customer.

920 (c) A secured party having control of all security entitlements or  
921 commodity contracts carried in a securities account or commodity  
922 account has control over the securities account or commodity account.

923 Sec. 7. Section 42a-9-107 of the general statutes is repealed and the  
924 following is substituted in lieu thereof:

925 [A security interest is a "purchase money security interest" to the  
926 extent that it is (a) taken or retained by the seller of the collateral to  
927 secure all or part of its price; or (b) taken by a person who by making  
928 advances or incurring an obligation gives value to enable the debtor to  
929 acquire rights in or the use of collateral if such value is in fact so used. ]

930 A secured party has control of a letter-of-credit right to the extent of  
931 any right to payment or performance by the issuer or any nominated  
932 person if the issuer or nominated person has consented to an  
933 assignment of proceeds of the letter of credit under subsection (c) of  
934 section 42a-5-114 or otherwise applicable law or practice.

935 Sec. 8. Section 42a-9-108 of the general statutes is repealed and the  
936 following is substituted in lieu thereof:

937 [Where a secured party makes an advance, incurs an obligation,  
938 releases a perfected security interest, or otherwise gives new value  
939 which is to be secured in whole or in part by after-acquired property  
940 his security interest in the after-acquired collateral shall be deemed to  
941 be taken for new value and not as security for an antecedent debt if the  
942 debtor acquires his rights in such collateral either in the ordinary

943 course of his business or under a contract of purchase made pursuant  
944 to the security agreement within a reasonable time after new value is  
945 given.]

946 (a) Except as otherwise provided in subsections (c), (d) and (e), a  
947 description of personal or real property is sufficient, whether or not it  
948 is specific, if it reasonably identifies what is described.

949 (b) Except as otherwise provided in subsection (d), a description of  
950 collateral reasonably identifies the collateral if it identifies the collateral  
951 by:

952 (1) Specific listing;

953 (2) Category;

954 (3) Except as otherwise provided in subsection (e), a type of  
955 collateral defined in this title;

956 (4) Quantity;

957 (5) Computational or allocational formula or procedure; or

958 (6) Except as otherwise provided in subsection (c), any other  
959 method, if the identity of the collateral is objectively determinable.

960 (c) A description of collateral as "all the debtor's assets" or "all the  
961 debtor's personal property" or using words of similar import does not  
962 reasonably identify the collateral.

963 (d) Except as otherwise provided in subsection (e), a description of a  
964 security entitlement, securities account or commodity account is  
965 sufficient if it describes:

966 (1) The collateral by those terms or as investment property; or

967 (2) The underlying financial asset or commodity contract.

968       (e) A description only by type of collateral defined in this title is an  
969       insufficient description of:

970       (1) A commercial tort claim; or

971       (2) In a consumer transaction, consumer goods, a security  
972       entitlement, a securities account or a commodity account.

973       Sec. 9. Section 42a-9-109 of the general statutes is repealed and the  
974       following is substituted in lieu thereof:

975       [Goods are (1) "consumer goods" if they are used or bought for use  
976       primarily for personal, family or household purposes; (2) "equipment"  
977       if they are used or bought for use primarily in business, including  
978       farming or a profession, or by a debtor who is a nonprofit organization  
979       or a governmental subdivision or agency or if the goods are not  
980       included in the definitions of inventory, farm products or consumer  
981       goods; (3) "farm products" if they are crops or livestock or supplies  
982       used or produced in farming operations or if they are products of  
983       crops or livestock in their unmanufactured states, such as ginned  
984       cotton, woolclip, maple syrup, milk and eggs, and if they are in the  
985       possession of a debtor engaged in raising, fattening, grazing or other  
986       farming operations. If goods are farm products they are neither  
987       equipment nor inventory; (4) "inventory" if they are held by a person  
988       who holds them for sale or lease or to be furnished under contracts of  
989       service or if he has so furnished them, or if they are raw materials,  
990       work in process or materials used or consumed in a business.  
991       Inventory of a person is not to be classified as his equipment.]

992       (a) Except as otherwise provided in subsections (c) and (d), this  
993       article applies to:

994       (1) A transaction, regardless of its form, that creates a security  
995       interest in personal property or fixtures by contract;

996       (2) An agricultural lien;

997     (3) A sale of accounts, chattel paper, payment intangibles or  
998     promissory notes;

999     (4) A consignment;

1000     (5) A security interest arising under section 42a-2-401, section 42a-2-  
1001     505 or subsection (3) of section 42a-2-711, as provided in section 42a-  
1002     9-110, as amended by this act; and

1003     (6) A security interest arising under section 42a-4-210 or section 42a-  
1004     5-118, as amended by this act.

1005     (b) The application of this article to a security interest in a secured  
1006     obligation is not affected by the fact that the obligation is itself secured  
1007     by a transaction or interest to which this article does not apply.

1008     (c) This article does not apply to the extent that:

1009     (1) A statute, regulation or treaty of the United States preempts this  
1010     article;

1011     (2) A statute of another state, a foreign country or a governmental  
1012     unit of another state or a foreign country, other than a statute generally  
1013     applicable to security interests, expressly governs creation, perfection,  
1014     priority or enforcement of a security interest created by the state,  
1015     country or governmental unit; or

1016     (3) The rights of a transferee beneficiary or nominated person under  
1017     a letter of credit are independent and superior under section 42a-5-114.

1018     (d) This article does not apply to:

1019     (1) A landlord's lien, other than an agricultural lien;

1020     (2) A lien, other than an agricultural lien, given by statute or other  
1021     rule of law for services or materials, but section 53 of this act applies  
1022     with respect to priority of the lien;

1023     (3) An assignment of a claim for wages, salary or other  
1024     compensation of an employee;

1025     (4) A sale of accounts, chattel paper, payment intangibles or  
1026     promissory notes as part of a sale of the business out of which they  
1027     arose;

1028     (5) An assignment of accounts, chattel paper, payment intangibles  
1029     or promissory notes which is for the purpose of collection only;

1030     (6) An assignment of a right to payment under a contract to an  
1031     assignee that is also obligated to perform under the contract;

1032     (7) An assignment of a single account, payment intangible or  
1033     promissory note to an assignee in full or partial satisfaction of a  
1034     preexisting indebtedness;

1035     (8) A transfer of an interest in or an assignment of a claim under a  
1036     policy of insurance, other than an assignment by or to a health-care  
1037     provider of a health-care-insurance receivable and any subsequent  
1038     assignment of the right to payment, but section 42a-9-315, as amended  
1039     by this act, and section 42 of this act, apply with respect to proceeds  
1040     and priorities in proceeds;

1041     (9) An assignment of a right represented by a judgment, other than  
1042     a judgment taken on a right to payment that was collateral;

1043     (10) A right of recoupment or set-off, but:

1044     (A) Section 60 of this act applies with respect to the effectiveness of  
1045     rights of recoupment or set-off against deposit accounts; and

1046     (B) Section 42a-9-404, as amended by this act, applies with respect  
1047     to defenses or claims of an account debtor;

1048     (11) The creation or transfer of an interest in or lien on real property,  
1049     including a lease or rents thereunder, except to the extent that

1050 provision is made for:

1051 (A) Liens on real property in sections 42a-9-203 and 42a-9-308, as  
1052 amended by this act;

1053 (B) Fixtures in section 54 of this act;

1054 (C) Fixture filings in sections 42a-9-501 and 42a-9-502, as amended  
1055 by this act, and sections 83, 87 and 90 of this act; and

1056 (D) Security agreements covering personal and real property in  
1057 section 101 of this act;

1058 (12) An assignment of a claim arising in tort, other than a  
1059 commercial tort claim, but section 42a-9-315, as amended by this act,  
1060 and section 42 of this act, apply with respect to proceeds and priorities  
1061 in proceeds;

1062 (13) An assignment of a deposit account in a consumer transaction,  
1063 but section 42a-9-315, as amended by this act, and section 42 of this act,  
1064 apply with respect to proceeds and priorities in proceeds;

1065 (14) A transfer by a government or government subdivision or  
1066 agency of this state; or

1067 (15) An assignment of lottery winnings governed by section 12-831,  
1068 an assignment of workers' compensation benefits governed by section  
1069 31-320 or an assignment of a structured settlement payment right  
1070 governed by section 52-225f.

1071 Sec. 10. Section 42a-9-110 of the general statutes is repealed and the  
1072 following is substituted in lieu thereof:

1073 [For the purposes of this article any description of personal property  
1074 or real estate is sufficient whether or not it is specific if it reasonably  
1075 identifies what is described.]



1076 A security interest arising under section 42a-2-401, section 42a-2-505  
1077 or subsection (3) of section 42a-2-711 is subject to this article. However,  
1078 until the debtor obtains possession of the goods:

1079 (1) The security interest is enforceable, even if subdivision (3) of  
1080 subsection (b) of section 42a-9-203, as amended by this act, has not  
1081 been satisfied;

1082 (2) Filing is not required to perfect the security interest;

1083 (3) The rights of the secured party after default by the debtor are  
1084 governed by article 2; and

1085 (4) The security interest has priority over a conflicting security  
1086 interest created by the debtor.

1087 Sec. 11. Section 42a-9-201 of the general statutes is repealed and the  
1088 following is substituted in lieu thereof:

1089 [Except as otherwise provided by this title a security agreement is  
1090 effective according to its terms between the parties, against purchasers  
1091 of the collateral and against creditors. Nothing in this article validates  
1092 any charge or practice illegal under any statute or regulation  
1093 thereunder governing usury, small loans, retail instalment sales, or the  
1094 like, or extends the application of any such statute or regulation to any  
1095 transaction not otherwise subject thereto.]

1096 (a) Except as otherwise provided in this title, a security agreement is  
1097 effective according to its terms between the parties, against purchasers  
1098 of the collateral and against creditors.

1099 (b) A transaction subject to this article is subject to any applicable  
1100 rule of law which establishes a different rule for consumers and  
1101 sections 36a-555 to 36a-573, inclusive, and sections 36a-770 to 36a-786,  
1102 inclusive.

1103     (c) In case of conflict between this article and a rule of law, statute or  
1104 regulation described in subsection (b), the rule of law, statute or  
1105 regulation controls. Failure to comply with a statute or regulation  
1106 described in subsection (b) has only the effect the statute or regulation  
1107 specifies.

1108     (d) This article does not:

1109         (1) Validate any rate, charge, agreement or practice that violates a  
1110 rule of law, statute or regulation described in subsection (b); or

1111         (2) Extend the application of the rule of law, statute or regulation to  
1112 a transaction not otherwise subject to it.

1113     Sec. 12. Section 42a-9-202 of the general statutes is repealed and the  
1114 following is substituted in lieu thereof:

1115     [Each provision of this article with regard to rights, obligations and  
1116 remedies applies whether title to collateral is in the secured party or in  
1117 the debtor.]

1118     Except as otherwise provided with respect to consignments or sales  
1119 of accounts, chattel paper, payment intangibles or promissory notes,  
1120 the provisions of this article with regard to rights and obligations  
1121 apply whether title to collateral is in the secured party or the debtor.

1122     Sec. 13. Section 42a-9-203 of the general statutes is repealed and the  
1123 following is substituted in lieu thereof:

1124     [(1) Subject to the provisions of section 42a-4-210 on the security  
1125 interest of a collecting bank, sections 42a-9-115 and 42a-9-116 on  
1126 security interests in investment property and section 42a-9-113 on a  
1127 security interest arising under article 2, a security interest is not  
1128 enforceable against the debtor or third parties with respect to the  
1129 collateral and does not attach unless: (a) The collateral is in the  
1130 possession of the secured party pursuant to agreement, the collateral is

1131 investment property and the secured party has control pursuant to  
1132 agreement or the debtor has signed a security agreement which  
1133 contains a description of the collateral and in addition, when the  
1134 security interest covers crops growing or to be grown or timber to be  
1135 cut, a description of the land concerned; (b) value has been given; and  
1136 (c) the debtor has rights in the collateral.

1137 (2) A security interest attaches when it becomes enforceable against  
1138 the debtor with respect to the collateral. Attachment occurs as soon as  
1139 all of the events specified in subsection (1) have taken place unless  
1140 explicit agreement postpones the time of attaching.

1141 (3) Unless otherwise agreed a security agreement gives the secured  
1142 party the rights to proceeds provided by section 42a-9-306.

1143 (4) A transaction, although subject to this article, is also subject to  
1144 sections 36a-555 to 36a-573, inclusive, 36a-770 to 36a-786, inclusive, and  
1145 section 42a-9-209, and in the case of conflict between the provisions of  
1146 this article and any such statute, the provisions of such statute control.  
1147 Failure to comply with any applicable statute has only the effect which  
1148 is specified therein.]

1149 (a) A security interest attaches to collateral when it becomes  
1150 enforceable against the debtor with respect to the collateral, unless an  
1151 agreement expressly postpones the time of attachment.

1152 (b) Except as otherwise provided in subsections (c) to (i), inclusive, a  
1153 security interest is enforceable against the debtor and third parties  
1154 with respect to the collateral only if:

1155 (1) Value has been given;

1156 (2) The debtor has rights in the collateral or the power to transfer  
1157 rights in the collateral to a secured party; and

1158 (3) One of the following conditions is met:

1159     (A) The debtor has authenticated a security agreement that provides  
1160     a description of the collateral and, if the security interest covers timber  
1161     to be cut, a description of the land concerned;

1162     (B) The collateral is not a certificated security and is in the  
1163     possession of the secured party under section 42a-9-313, as amended  
1164     by this act, pursuant to the debtor's security agreement;

1165     (C) The collateral is a certificated security in registered form and the  
1166     security certificate has been delivered to the secured party under  
1167     section 42a-8-301 pursuant to the debtor's security agreement; or

1168     (D) The collateral is deposit accounts, electronic chattel paper,  
1169     investment property or letter-of-credit rights, and the secured party  
1170     has control under section 42a-9-104, 42a-9-105, 42a-9-106 or 42a-9-107,  
1171     as amended by this act, pursuant to the debtor's security agreement.

1172     (c) Subsection (b) is subject to section 42a-4-210 on the security  
1173     interest of a collecting bank, section 42a-5-118 on the security interest  
1174     of a letter-of-credit issuer or nominated person, section 42a-9-110, as  
1175     amended by this act, on a security interest arising under article 2, and  
1176     section 42a-9-206, as amended by this act, on security interests in  
1177     investment property.

1178     (d) A person becomes bound as debtor by a security agreement  
1179     entered into by another person if, by operation of law other than this  
1180     article or by contract:

1181     (1) The security agreement becomes effective to create a security  
1182     interest in the person's property; or

1183     (2) The person becomes generally obligated for the obligations of the  
1184     other person, including the obligation secured under the security  
1185     agreement, and acquires or succeeds to all or substantially all of the  
1186     assets of the other person.

1187     (e) If a new debtor becomes bound as debtor by a security  
1188 agreement entered into by another person:

1189     (1) The agreement satisfies subdivision (3) of subsection (b) of this  
1190 section with respect to existing or after-acquired property of the new  
1191 debtor to the extent the property is described in the agreement; and

1192     (2) Another agreement is not necessary to make a security interest in  
1193 the property enforceable.

1194     (f) The attachment of a security interest in collateral gives the  
1195 secured party the rights to proceeds provided by section 42a-9-315, as  
1196 amended by this act, and is also attachment of a security interest in a  
1197 supporting obligation for the collateral.

1198     (g) The attachment of a security interest in a right to payment or  
1199 performance secured by a security interest or other lien on personal or  
1200 real property is also attachment of a security interest in the security  
1201 interest, mortgage or other lien.

1202     (h) The attachment of a security interest in a securities account is  
1203 also attachment of a security interest in the security entitlements  
1204 carried in the securities account.

1205     (i) The attachment of a security interest in a commodity account is  
1206 also attachment of a security interest in the commodity contracts  
1207 carried in the commodity account.

1208     Sec. 14. Section 42a-9-204 of the general statutes is repealed and the  
1209 following is substituted in lieu thereof:

1210     [(1) Except as provided in subsection (2) of this section, a security  
1211 agreement may provide that any or all obligations covered by the  
1212 security agreement are to be secured by after-acquired collateral.

1213     (2) No security interest attaches under an after-acquired property

1214 clause to consumer goods other than accessions as defined in section  
1215 42a-9-314 when given as additional security unless the debtor acquires  
1216 rights in them within ten days after the secured party gives value.

1217 (3) Obligations covered by a security agreement may include future  
1218 advances or other value whether or not the advances or value are  
1219 given pursuant to commitment.]

1220 (a) Except as otherwise provided in subsection (b), a security  
1221 agreement may create or provide for a security interest in after-  
1222 acquired collateral.

1223 (b) A security interest does not attach under a term constituting an  
1224 after-acquired property clause to:

1225 (1) Consumer goods, other than an accession when given as  
1226 additional security, unless the debtor acquires rights in them within  
1227 ten days after the secured party gives value; or

1228 (2) A commercial tort claim.

1229 (c) A security agreement may provide that collateral secures, or that  
1230 accounts, chattel paper, payment intangibles or promissory notes are  
1231 sold in connection with, future advances or other value, whether or not  
1232 the advances or value are given pursuant to commitment.

1233 Sec. 15. Section 42a-9-205 of the general statutes is repealed and the  
1234 following is substituted in lieu thereof:

1235 [A security interest is not invalid or fraudulent against creditors by  
1236 reason of liberty in the debtor to use, commingle or dispose of all or  
1237 part of the collateral, including returned or repossessed goods, or to  
1238 collect or compromise accounts or chattel paper, or to accept the return  
1239 of goods or make repossessions, or to use, commingle or dispose of  
1240 proceeds, or by reason of the failure of the secured party to require the  
1241 debtor to account for proceeds or replace collateral. This section does

1242 not relax the requirements of possession where perfection of a security  
1243 interest depends upon possession of the collateral by the secured party  
1244 or by a bailee.]

1245 (a) A security interest is not invalid or fraudulent against creditors  
1246 solely because:

1247 (1) The debtor has the right or ability to:

1248 (A) Use, commingle or dispose of all or part of the collateral,  
1249 including returned or repossessed goods;

1250 (B) Collect, compromise, enforce or otherwise deal with collateral;

1251 (C) Accept the return of collateral or make repossessions; or

1252 (D) Use, commingle or dispose of proceeds; or

1253 (2) The secured party fails to require the debtor to account for  
1254 proceeds or replace collateral.

1255 (b) This section does not relax the requirements of possession if  
1256 attachment, perfection or enforcement of a security interest depends  
1257 upon possession of the collateral by the secured party.

1258 Sec. 16. Section 42a-9-206 of the general statutes is repealed and the  
1259 following is substituted in lieu thereof:

1260 [(1) Subject to any statute or decision which establishes a different  
1261 rule for buyers or lessees of consumer goods, an agreement by a buyer  
1262 or lessee that he will not assert against an assignee any claim or  
1263 defense which he may have against the seller or lessor is enforceable  
1264 by an assignee who takes his assignment for value, in good faith and  
1265 without notice of a claim or defense, except as to defenses of a type  
1266 which may be asserted against a holder in due course of a negotiable  
1267 instrument under article 3. A buyer who as part of one transaction  
1268 signs both a negotiable instrument and a security agreement makes

1269 such an agreement.

1270 (2) When a seller retains a purchase money security interest in  
1271 goods, article 2 governs the sale and any disclaimer, limitation or  
1272 modification of the seller's warranties.]

1273 (a) A security interest in favor of a securities intermediary attaches  
1274 to a person's security entitlement if:

1275 (1) The person buys a financial asset through the securities  
1276 intermediary in a transaction in which the person is obligated to pay  
1277 the purchase price to the securities intermediary at the time of the  
1278 purchase; and

1279 (2) The securities intermediary credits the financial asset to the  
1280 buyer's securities account before the buyer pays the securities  
1281 intermediary.

1282 (b) The security interest described in subsection (a) secures the  
1283 person's obligation to pay for the financial asset.

1284 (c) A security interest in favor of a person that delivers a certificated  
1285 security or other financial asset represented by a writing attaches to the  
1286 security or other financial asset if:

1287 (1) The security or other financial asset:

1288 (A) In the ordinary course of business is transferred by delivery  
1289 with any necessary endorsement or assignment; and

1290 (B) Is delivered under an agreement between persons in the  
1291 business of dealing with such securities or financial assets; and

1292 (2) The agreement calls for delivery against payment.

1293 (d) The security interest described in subsection (c) secures the  
1294 obligation to make payment for the delivery.



1295       Sec. 17. Section 42a-9-207 of the general statutes is repealed and the  
1296 following is substituted in lieu thereof:

1297       [(1) A secured party must use reasonable care in the custody and  
1298 preservation of collateral in his possession. In the case of an instrument  
1299 or chattel paper reasonable care includes taking necessary steps to  
1300 preserve rights against prior parties unless otherwise agreed.

1301       (2) Unless otherwise agreed, when collateral is in the secured party's  
1302 possession (a) reasonable expenses, including the cost of any insurance  
1303 and payment of taxes or other charges, incurred in the custody,  
1304 preservation, use or operation of the collateral are chargeable to the  
1305 debtor and are secured by the collateral; (b) the risk of accidental loss  
1306 or damage is on the debtor to the extent of any deficiency in any  
1307 effective insurance coverage; (c) the secured party may hold as  
1308 additional security any increase or profits, except money, received  
1309 from the collateral, but money so received, unless remitted to the  
1310 debtor, shall be applied in reduction of the secured obligation; (d) the  
1311 secured party must keep the collateral identifiable but fungible  
1312 collateral may be commingled; (e) the secured party may repledge the  
1313 collateral upon terms which do not impair the debtor's right to redeem  
1314 it.

1315       (3) A secured party is liable for any loss caused by his failure to  
1316 meet any obligation imposed by the preceding subsections but does  
1317 not lose his security interest.

1318       (4) A secured party may use or operate the collateral for the purpose  
1319 of preserving the collateral or its value or pursuant to the order of a  
1320 court of appropriate jurisdiction or, except in the case of consumer  
1321 goods, in the manner and to the extent provided in the security  
1322 agreement.]

1323       (a) Except as otherwise provided in subsection (d), a secured party  
1324 shall use reasonable care in the custody and preservation of collateral

1325 in the secured party's possession. In the case of chattel paper or an  
1326 instrument, reasonable care includes taking necessary steps to preserve  
1327 rights against prior parties unless otherwise agreed.

1328 (b) Except as otherwise provided in subsection (d), if a secured  
1329 party has possession of collateral:

1330 (1) Reasonable expenses, including the cost of insurance and  
1331 payment of taxes or other charges, incurred in the custody,  
1332 preservation, use or operation of the collateral are chargeable to the  
1333 debtor and are secured by the collateral;

1334 (2) The risk of accidental loss or damage is on the secured party to  
1335 the extent of a deficiency in any effective insurance coverage;

1336 (3) The secured party shall keep the collateral identifiable, but  
1337 fungible collateral may be commingled; and

1338 (4) The secured party may use or operate the collateral:

1339 (A) For the purpose of preserving the collateral or its value;

1340 (B) As permitted by an order of a court having competent  
1341 jurisdiction; or

1342 (C) Except in the case of consumer goods, in the manner and to the  
1343 extent agreed by the debtor.

1344 (c) Except as otherwise agreed by a debtor other than a consumer  
1345 debtor or as otherwise provided in subsection (d), a secured party  
1346 having possession of collateral or control of collateral under section  
1347 42a-9-104, 42a-9-105, 42a-9-106 or 42a-9-107, as amended by this act:

1348 (1) May hold as additional security any proceeds, except money or  
1349 funds, received from the collateral;

1350 (2) Shall apply money or funds received from the collateral to

1351 reduce the secured obligation, unless remitted to the debtor; and

1352 (3) May create a security interest in the collateral.

1353 (d) If the secured party is a buyer of accounts, chattel paper,  
1354 payment intangibles or promissory notes or a consignor:

1355 (1) Subsection (a) does not apply unless the secured party is entitled  
1356 under an agreement:

1357 (A) To charge back uncollected collateral; or

1358 (B) Otherwise to full or limited recourse against the debtor or a  
1359 secondary obligor based on the nonpayment or other default of an  
1360 account debtor or other obligor on the collateral; and

1361 (2) Subsections (b) and (c) do not apply.

1362 Sec. 18. Section 42a-9-208 of the general statutes is repealed and the  
1363 following is substituted in lieu thereof:

1364 [(1) A debtor may sign a statement indicating what he believes to be  
1365 the aggregate amount of unpaid indebtedness as of a specified date  
1366 and may send it to the secured party with a request that the statement  
1367 be approved or corrected and returned to the debtor. When the  
1368 security agreement or any other record kept by the secured party  
1369 identifies the collateral a debtor may similarly request the secured  
1370 party to approve or correct a list of the collateral.

1371 (2) The secured party must comply with such a request within two  
1372 weeks after receipt by sending a written correction or approval. If the  
1373 secured party claims a security interest in all of a particular type of  
1374 collateral owned by the debtor he may indicate that fact in his reply  
1375 and need not approve or correct an itemized list of such collateral. If  
1376 the secured party without reasonable excuse fails to comply he is liable  
1377 for any loss caused to the debtor thereby; and if the debtor has

1378 properly included in his request a good faith statement of the  
1379 obligation or a list of the collateral or both the secured party may claim  
1380 a security interest only as shown in the statement against persons  
1381 misled by his failure to comply. If he no longer has an interest in the  
1382 obligation or collateral at the time the request is received he must  
1383 disclose the name and address of any successor in interest known to  
1384 him and he is liable for any loss caused to the debtor as a result of  
1385 failure to disclose. A successor in interest is not subject to this section  
1386 until a request is received by him.

1387 (3) A debtor is entitled to such a statement once every six months  
1388 without charge. The secured party may require payment of a charge  
1389 not exceeding ten dollars for each additional statement furnished.]

1390 (a) This section applies to cases in which there is no outstanding  
1391 secured obligation and the secured party is not committed to make  
1392 advances, incur obligations or otherwise give value.

1393 (b) Within ten days after receiving an authenticated demand by the  
1394 debtor:

1395 (1) A secured party having control of a deposit account under  
1396 subdivision (2) of subsection (a) of section 42a-9-104, as amended by  
1397 this act, shall send to the bank with which the deposit account is  
1398 maintained an authenticated statement that releases the bank from any  
1399 further obligation to comply with instructions originated by the  
1400 secured party;

1401 (2) A secured party having control of a deposit account under  
1402 subdivision (3) of subsection (a) of section 42a-9-104, as amended by  
1403 this act, shall:

1404 (A) Pay the debtor the balance on deposit in the deposit account; or

1405 (B) Transfer the balance on deposit into a deposit account in the  
1406 debtor's name;

1407       (3) A secured party, other than a buyer, having control of electronic  
1408 chattel paper under section 42a-9-105, as amended by this act, shall:

1409       (A) Communicate the authoritative copy of the electronic chattel  
1410 paper to the debtor or its designated custodian;

1411       (B) If the debtor designates a custodian that is the designated  
1412 custodian with which the authoritative copy of the electronic chattel  
1413 paper is maintained for the secured party, communicate to the  
1414 custodian an authenticated record releasing the designated custodian  
1415 from any further obligation to comply with instructions originated by  
1416 the secured party and instructing the custodian to comply with  
1417 instructions originated by the debtor; and

1418       (C) Take appropriate action to enable the debtor or its designated  
1419 custodian to make copies of or revisions to the authoritative copy  
1420 which add or change an identified assignee of the authoritative copy  
1421 without the consent of the secured party;

1422       (4) A secured party having control of investment property under  
1423 subdivision (2) of subsection (d) of section 42a-8-106 or subsection (b)  
1424 of section 42a-9-106, as amended by this act, shall send to the securities  
1425 intermediary or commodity intermediary with which the security  
1426 entitlement or commodity contract is maintained an authenticated  
1427 record that releases the securities intermediary or commodity  
1428 intermediary from any further obligation to comply with entitlement  
1429 orders or directions originated by the secured party; and

1430       (5) A secured party having control of a letter-of-credit right under  
1431 section 42a-9-107, as amended by this act, shall send to each person  
1432 having an unfulfilled obligation to pay or deliver proceeds of the letter  
1433 of credit to the secured party an authenticated release from any further  
1434 obligation to pay or deliver proceeds of the letter of credit to the  
1435 secured party.

1436 Sec. 19. Section 42a-9-209 of the general statutes is repealed and the  
1437 following is substituted in lieu thereof:

1438 [Any agreement for security in household furniture owned and in  
1439 the possession of an individual or family and used primarily for  
1440 housekeeping purposes shall be effective only to the extent that the  
1441 agreement involves a purchase money security interest as defined in  
1442 section 42a-9-107.]

1443 (a) Except as otherwise provided in subsection (c), this section  
1444 applies if:

1445 (1) There is no outstanding secured obligation; and

1446 (2) The secured party is not committed to make advances, incur  
1447 obligations or otherwise give value.

1448 (b) Within ten days after receiving an authenticated demand by the  
1449 debtor, a secured party shall send to an account debtor that has  
1450 received notification of an assignment to the secured party as assignee  
1451 under subsection (a) of section 42a-9-406, as amended by this act, an  
1452 authenticated record that releases the account debtor from any further  
1453 obligation to the secured party.

1454 (c) This section does not apply to an assignment constituting the  
1455 sale of an account, chattel paper or payment intangible.

1456 Sec. 20. (NEW) (a) In this section:

1457 (1) "Request" means a record of a type described in subdivision (2),  
1458 (3) or (4) of this subsection.

1459 (2) "Request for an accounting" means a record authenticated by a  
1460 debtor requesting that the recipient provide an accounting of the  
1461 unpaid obligations secured by collateral and reasonably identifying  
1462 the transaction or relationship that is the subject of the request.

1463 (3) "Request regarding a list of collateral" means a record  
1464 authenticated by a debtor requesting that the recipient approve or  
1465 correct a list of what the debtor believes to be the collateral securing an  
1466 obligation and reasonably identifying the transaction or relationship  
1467 that is the subject of the request.

1468 (4) "Request regarding a statement of account" means a record  
1469 authenticated by a debtor requesting that the recipient approve or  
1470 correct a statement indicating what the debtor believes to be the  
1471 aggregate amount of unpaid obligations secured by collateral as of a  
1472 specified date and reasonably identifying the transaction or  
1473 relationship that is the subject of the request.

1474 (b) Subject to subsections (c), (d), (e) and (f), a secured party, other  
1475 than a buyer of accounts, chattel paper, payment intangibles or  
1476 promissory notes or a consignor, shall comply with a request within  
1477 fourteen days after receipt:

1478 (1) In the case of a request for an accounting, by authenticating and  
1479 sending to the debtor an accounting; and

1480 (2) In the case of a request regarding a list of collateral or a request  
1481 regarding a statement of account, by authenticating and sending to the  
1482 debtor an approval or correction.

1483 (c) A secured party that claims a security interest in all of a  
1484 particular type of collateral owned by the debtor may comply with a  
1485 request regarding a list of collateral by sending to the debtor an  
1486 authenticated record including a statement to that effect within  
1487 fourteen days after receipt.

1488 (d) A person that receives a request regarding a list of collateral,  
1489 claims no interest in the collateral when it receives the request, and  
1490 claimed an interest in the collateral at an earlier time shall comply with  
1491 the request within fourteen days after receipt by sending to the debtor

1492 an authenticated record:

1493 (1) Disclaiming any interest in the collateral; and

1494 (2) If known to the recipient, providing the name and mailing  
1495 address of any assignee of or successor to the recipient's interest in the  
1496 collateral.

1497 (e) A person that receives a request for an accounting or a request  
1498 regarding a statement of account, claims no interest in the obligations  
1499 when it receives the request and claimed an interest in the obligations  
1500 at an earlier time shall comply with the request within fourteen days  
1501 after receipt by sending to the debtor an authenticated record:

1502 (1) Disclaiming any interest in the obligations; and

1503 (2) If known to the recipient, providing the name and mailing  
1504 address of any assignee of or successor to the recipient's interest in the  
1505 obligations.

1506 (f) A debtor is entitled without charge to one response to a request  
1507 under this section during any six-month period. The secured party  
1508 may require payment of a charge not exceeding twenty-five dollars for  
1509 each additional response.

1510 Sec. 21. Section 42a-9-301 of the general statutes is repealed and the  
1511 following is substituted in lieu thereof:

1512 [(1) Except as otherwise provided in subsection (2) of this section, an  
1513 unperfected security interest is subordinate to the rights of (a) persons  
1514 entitled to priority under section 42a-9-312; (b) a person who becomes  
1515 a lien creditor before the security interest is perfected; (c) in the case of  
1516 goods, instruments, documents, and chattel paper, a person who is not  
1517 a secured party and who is a transferee in bulk or other buyer not in  
1518 ordinary course of business, or is a buyer of farm products in ordinary  
1519 course of business, to the extent that he gives value and receives



1520 delivery of the collateral without knowledge of the security interest  
1521 and before it is perfected; (d) in the case of accounts, general  
1522 intangibles and investment property, a person who is not a secured  
1523 party and who is a transferee to the extent that he gives value without  
1524 knowledge of the security interest and before it is perfected.

1525 (2) If the secured party files with respect to a purchase money  
1526 security interest before or within twenty days after the debtor receives  
1527 possession of the collateral, he takes priority over the rights of a  
1528 transferee in bulk or of a lien creditor which arise between the time the  
1529 security interest attaches and the time of filing.

1530 (3) A "lien creditor" means a creditor who has acquired a lien on the  
1531 property involved by attachment, levy or the like and includes an  
1532 assignee for benefit of creditors from the time of assignment, and a  
1533 trustee in bankruptcy from the date of the filing of the petition or a  
1534 receiver in equity from the time of appointment.

1535 (4) A person who becomes a lien creditor while a security interest is  
1536 perfected takes subject to the security interest only to the extent that it  
1537 secures advances made before he becomes a lien creditor or within  
1538 forty-five days thereafter or made without knowledge of the lien or  
1539 pursuant to a commitment entered into without knowledge of the  
1540 lien.]

1541 Except as otherwise provided in sections 42a-9-303 to 42a-9-306,  
1542 inclusive, as amended by this act, the following rules determine the  
1543 law governing perfection, the effect of perfection or nonperfection and  
1544 the priority of a security interest in collateral:

1545 (1) Except as otherwise provided in this section, while a debtor is  
1546 located in a jurisdiction, the local law of that jurisdiction governs  
1547 perfection, the effect of perfection or nonperfection and the priority of  
1548 a security interest in collateral.

1549     (2) While collateral is located in a jurisdiction, the local law of that  
1550 jurisdiction governs perfection, the effect of perfection or  
1551 nonperfection and the priority of a possessory security interest in that  
1552 collateral.

1553     (3) Except as otherwise provided in subdivision (4), while  
1554 negotiable documents, goods, instruments, money or tangible chattel  
1555 paper is located in a jurisdiction, the local law of that jurisdiction  
1556 governs:

1557     (A) Perfection of a security interest in the goods by filing a fixture  
1558 filing;

1559     (B) Perfection of a security interest in timber to be cut; and

1560     (C) The effect of perfection or nonperfection and the priority of a  
1561 nonpossessory security interest in the collateral.

1562     (4) The local law of the jurisdiction in which the wellhead or  
1563 minehead is located governs perfection, the effect of perfection or  
1564 nonperfection and the priority of a security interest in as-extracted  
1565 collateral.

1566     Sec. 22. Section 42a-9-302 of the general statutes is repealed and the  
1567 following is substituted in lieu thereof:

1568     [(1) A financing statement must be filed to perfect all security  
1569 interests except the following: (a) A security interest in collateral in  
1570 possession of the secured party under section 42a-9-305; (b) a security  
1571 interest temporarily perfected in instruments, certificated securities or  
1572 documents without delivery under section 42a-9-304 or in proceeds for  
1573 a ten-day period under section 42a-9-306; (c) a security interest created  
1574 by an assignment of a beneficial interest in a trust or a decedent's  
1575 estate; (d) a purchase money security interest in consumer goods; but  
1576 filing is required for a motor vehicle required to be registered, and  
1577 fixture filing is required for priority over conflicting interests in

1578 fixtures to the extent provided in section 42a-9-313; (e) an assignment  
1579 of accounts which does not alone or in conjunction with other  
1580 assignments to the same assignee transfer a significant part of the  
1581 outstanding accounts of the assignor; (f) a security interest of a  
1582 collecting bank as provided in section 42a-4-210 or arising under article  
1583 3 of this title or covered in subsection (3) of this section; (g) an  
1584 assignment for the benefit of all the creditors of the transferor, and  
1585 subsequent transfers by the assignee thereunder; (h) a security interest  
1586 in investment property which is perfected without filing under section  
1587 42a-9-115 or 42a-9-116.

1588       (2) If a secured party assigns a perfected security interest, no filing  
1589 under this article is required in order to continue the perfected status  
1590 of the security interest against creditors of and transferees from the  
1591 original debtor.

1592       (3) The filing of a financing statement otherwise required by this  
1593 article is not necessary or effective to perfect a security interest in  
1594 property subject to (a) a statute or treaty of the United States which  
1595 provides for a national or international registration or a national or  
1596 international certificate of title or which specifies a place of filing  
1597 different from that specified in this article for filing of the security  
1598 interest; or (b) chapter 247, but during any period in which collateral is  
1599 inventory held for sale by a person who is in the business of selling  
1600 goods of that kind, the filing provisions of part 4 of this article apply to  
1601 a security interest in that collateral created by him as debtor; or (c) a  
1602 certificate of title statute of another jurisdiction under the law of which  
1603 indication of a security interest on the certificate is required as a  
1604 condition of perfection.

1605       (4) Compliance with a statute or treaty described in subsection (3) of  
1606 this section is equivalent to the filing of a financing statement under  
1607 this article, and a security interest in property subject to the statute or  
1608 treaty can be perfected only by compliance therewith except as

1609 provided in section 42a-9-103a on multiple state transactions. Duration  
1610 and renewal of perfection of a security interest perfected by  
1611 compliance with the statute or treaty are governed by the provisions of  
1612 the statute or treaty; in other respects the security interest is subject to  
1613 this article.

1614 (5) A financing statement need not be filed to perfect, and the filing  
1615 provisions of this article do not apply to: (a) A security interest in the  
1616 plant, equipment, apparatus, transmission or pipe lines, distribution  
1617 systems or other property of a corporation which does a light, heat,  
1618 gas, power, water, telephone or natural gas transmission business in,  
1619 or owning property in, more than one town, if such security interest is  
1620 perfected by recording under section 49-5; or (b) a security interest in  
1621 the property of a railroad company if such security interest is perfected  
1622 by recording under chapter 282; or (c) a security interest in the  
1623 property of a telegraph company, if such security interest is perfected  
1624 by recording under chapter 283.]

1625 While farm products are located in a jurisdiction, the local law of  
1626 that jurisdiction governs perfection, the effect of perfection or  
1627 nonperfection and the priority of an agricultural lien on the farm  
1628 products.

1629 Sec. 23. Section 42a-9-303 of the general statutes is repealed and the  
1630 following is substituted in lieu thereof:

1631 [(1) A security interest is perfected when it has attached and when  
1632 all of the applicable steps required for perfection have been taken.  
1633 Such steps are specified in sections 42a-9-302, 42a-9-304, 42a-9-305 and  
1634 42a-9-306. If such steps are taken before the security interest attaches, it  
1635 is perfected at the time when it attaches.

1636 (2) If a security interest is originally perfected in any way permitted  
1637 under this article and is subsequently perfected in some other way  
1638 under this article, without an intermediate period when it was

1639 unperfected, the security interest shall be deemed to be perfected  
1640 continuously for the purposes of this article.]

1641 (a) This section applies to goods covered by a certificate of title, even  
1642 if there is no other relationship between the jurisdiction under whose  
1643 certificate of title the goods are covered and the goods or the debtor.

1644 (b) Goods become covered by a certificate of title when a valid  
1645 application for the certificate of title and the applicable fee are  
1646 delivered to the appropriate authority. Goods cease to be covered by a  
1647 certificate of title at the earlier of the time the certificate of title ceases  
1648 to be effective under the law of the issuing jurisdiction or the time the  
1649 goods become covered subsequently by a certificate of title issued by  
1650 another jurisdiction.

1651 (c) The local law of the jurisdiction under whose certificate of title  
1652 the goods are covered governs perfection, the effect of perfection or  
1653 nonperfection and the priority of a security interest in goods covered  
1654 by a certificate of title from the time the goods become covered by the  
1655 certificate of title until the goods cease to be covered by the certificate  
1656 of title.

1657 Sec. 24. Section 42a-9-304 of the general statutes is repealed and the  
1658 following is substituted in lieu thereof:

1659 [(1) A security interest in chattel paper or negotiable documents  
1660 may be perfected by filing. A security interest in the rights to proceeds  
1661 of a written letter of credit can be perfected only by the secured party's  
1662 taking possession of the letter of credit. A security interest in money or  
1663 instruments, other than instruments which constitute part of chattel  
1664 paper, can be perfected only by the secured party's taking possession,  
1665 except as provided in subsections (4) and (5) of this section and  
1666 subsections (2) and (3) of section 42a-9-306, on proceeds.

1667 (2) During the period that goods are in the possession of the issuer

1668 of a negotiable document therefor, a security interest in the goods is  
1669 perfected by perfecting a security interest in the document, and any  
1670 security interest in the goods otherwise perfected during such period is  
1671 subject thereto.

1672 (3) A security interest in goods in the possession of a bailee other  
1673 than one who has issued a negotiable document therefor is perfected  
1674 by issuance of a document in the name of the secured party or by the  
1675 bailee's receipt of notification of the secured party's interest or by filing  
1676 as to the goods.

1677 (4) A security interest in instruments, certificated securities or  
1678 negotiable documents is perfected without filing or the taking of  
1679 possession for a period of twenty-one days from the time it attaches to  
1680 the extent that it arises for new value given under a written security  
1681 agreement.

1682 (5) A security interest remains perfected for a period of twenty-one  
1683 days without filing where a secured party having a perfected security  
1684 interest in an instrument, a certificated security, a negotiable document  
1685 or goods in possession of a bailee other than one who has issued a  
1686 negotiable document therefor: (a) Makes available to the debtor the  
1687 goods or documents representing the goods for the purpose of  
1688 ultimate sale or exchange or for the purpose of loading, unloading,  
1689 storing, shipping, transshipping, manufacturing, processing or  
1690 otherwise dealing with them in a manner preliminary to their sale or  
1691 exchange, but priority between conflicting security interests in the  
1692 goods is subject to subsection (3) of section 42a-9-312; or (b) delivers  
1693 the instrument or certificated security to the debtor for the purpose of  
1694 ultimate sale or exchange or of presentation, collection, renewal or  
1695 registration of transfer.

1696 (6) After the twenty-one-day period in subsections (4) and (5)  
1697 perfection depends upon compliance with applicable provisions of this  
1698 article.]

1699     (a) The local law of a bank's jurisdiction governs perfection, the  
1700     effect of perfection or nonperfection and the priority of a security  
1701     interest in a deposit account maintained with that bank.

1702     (b) The following rules determine a bank's jurisdiction for purposes  
1703     of sections 42a-9-301 to 42a-9-318, inclusive, as amended by this act,  
1704     and sections 39 to 62, inclusive, of this act:

1705         (1) If an agreement between the bank and the debtor governing the  
1706         deposit account expressly provides that a particular jurisdiction is the  
1707         bank's jurisdiction for purposes of sections 42a-9-301 to 42a-9-318,  
1708         inclusive, as amended by this act, and sections 39 to 62, inclusive, of  
1709         this act, this article or this title, that jurisdiction is the bank's  
1710         jurisdiction.

1711         (2) If subdivision (1) does not apply and an agreement between the  
1712         bank and its customer governing the deposit account expressly  
1713         provides that the agreement is governed by the law of a particular  
1714         jurisdiction, that jurisdiction is the bank's jurisdiction.

1715         (3) If neither subdivision (1) nor subdivision (2) applies and an  
1716         agreement between the bank and its customer governing the deposit  
1717         account expressly provides that the deposit account is maintained at  
1718         an office in a particular jurisdiction, that jurisdiction is the bank's  
1719         jurisdiction.

1720         (4) If none of the preceding subdivisions applies, the bank's  
1721         jurisdiction is the jurisdiction in which the office identified in an  
1722         account statement as the office serving the customer's account is  
1723         located.

1724         (5) If none of the preceding subdivisions applies, the bank's  
1725         jurisdiction is the jurisdiction in which the chief executive office of the  
1726         bank is located.

1727     Sec. 25. Section 42a-9-305 of the general statutes is repealed and the

1728 following is substituted in lieu thereof:

1729 [A security interest in goods, instruments, money, negotiable  
1730 documents or chattel paper may be perfected by the secured party's  
1731 taking possession of the collateral. A security interest in the right to  
1732 proceeds of a written letter of credit may be perfected by the secured  
1733 party's taking possession of the letter of credit. If such collateral other  
1734 than goods covered by a negotiable document is held by a bailee, the  
1735 secured party is deemed to have possession from the time the bailee  
1736 receives notification of the secured party's interest. A security interest  
1737 is perfected by possession from the time possession is taken without  
1738 relation back and continues only so long as possession is retained,  
1739 unless otherwise specified in this article. The security interest may be  
1740 otherwise perfected as provided in this article before or after the  
1741 period of possession by the secured party.]

1742 (a) Except as otherwise provided in subsection (c), the following  
1743 rules apply:

1744 (1) While a security certificate is located in a jurisdiction, the local  
1745 law of that jurisdiction governs perfection, the effect of perfection or  
1746 nonperfection and the priority of a security interest in the certificated  
1747 security represented thereby.

1748 (2) The local law of the issuer's jurisdiction as specified in  
1749 subsection (d) of section 42a-8-110 governs perfection, the effect of  
1750 perfection or nonperfection and the priority of a security interest in an  
1751 uncertificated security.

1752 (3) The local law of the securities intermediary's jurisdiction as  
1753 specified in subsection (e) of section 42a-8-110, as amended by this act,  
1754 governs perfection, the effect of perfection or nonperfection and the  
1755 priority of a security interest in a security entitlement or securities  
1756 account.



1757     (4) The local law of the commodity intermediary's jurisdiction  
1758 governs perfection, the effect of perfection or nonperfection and the  
1759 priority of a security interest in a commodity contract or commodity  
1760 account.

1761     (b) The following rules determine a commodity intermediary's  
1762 jurisdiction for purposes of sections 42a-9-301 to 42a-9-318, inclusive,  
1763 as amended by this act, and sections 39 to 62, inclusive, of this act:

1764     (1) If an agreement between the commodity intermediary and  
1765 commodity customer governing the commodity account expressly  
1766 provides that a particular jurisdiction is the commodity intermediary's  
1767 jurisdiction for purposes of sections 42a-9-301 to 42a-9-318, inclusive,  
1768 as amended by this act, and sections 39 to 62, inclusive, of this act, this  
1769 article or this title, that jurisdiction is the commodity intermediary's  
1770 jurisdiction.

1771     (2) If subdivision (1) does not apply and an agreement between the  
1772 commodity intermediary and commodity customer governing the  
1773 commodity account expressly provides that the agreement is governed  
1774 by the law of a particular jurisdiction, that jurisdiction is the  
1775 commodity intermediary's jurisdiction.

1776     (3) If neither subdivision (1) nor subdivision (2) applies and an  
1777 agreement between the commodity intermediary and commodity  
1778 customer governing the commodity account expressly provides that  
1779 the commodity account is maintained at an office in a particular  
1780 jurisdiction, that jurisdiction is the commodity intermediary's  
1781 jurisdiction.

1782     (4) If none of the preceding subdivisions applies, the commodity  
1783 intermediary's jurisdiction is the jurisdiction in which the office  
1784 identified in an account statement as the office serving the commodity  
1785 customer's account is located.

1786       (5) If none of the preceding subdivisions applies, the commodity  
1787 intermediary's jurisdiction is the jurisdiction in which the chief  
1788 executive office of the commodity intermediary is located.

1789       (c) The local law of the jurisdiction in which the debtor is located  
1790 governs:

1791       (1) Perfection of a security interest in investment property by filing:

1792       (2) Automatic perfection of a security interest in investment  
1793 property created by a broker or securities intermediary; and

1794       (3) Automatic perfection of a security interest in a commodity  
1795 contract or commodity account created by a commodity intermediary.

1796       Sec. 26. Section 42a-9-306 of the general statutes is repealed and the  
1797 following is substituted in lieu thereof:

1798       [(1) "Proceeds" includes whatever is received upon the sale,  
1799 exchange, collection or other disposition of collateral or proceeds.  
1800 Insurance payable by reason of loss or damage to the collateral is  
1801 proceeds, except to the extent that it is payable to a person other than a  
1802 party to the security agreement. Money, checks, deposit accounts and  
1803 the like are "cash proceeds". All other proceeds are "noncash proceeds".

1804       (2) Except where this article otherwise provides, a security interest  
1805 continues in collateral notwithstanding sale, exchange or other  
1806 disposition thereof unless the disposition was authorized by the  
1807 secured party in the security agreement or otherwise, and also  
1808 continues in any identifiable proceeds including collections received  
1809 by the debtor.

1810       (3) The security interest in proceeds is a continuously perfected  
1811 security interest if the interest in the original collateral was perfected  
1812 but it ceases to be a perfected security interest and becomes  
1813 unperfected ten days after receipt of the proceeds by the debtor unless

1814 (a) a filed financing statement covers the original collateral and the  
1815 proceeds are collateral in which a security interest may be perfected by  
1816 filing in the office or offices where the financing statement has been  
1817 filed and, if the proceeds are acquired with cash proceeds, the  
1818 description of collateral in the financing statement indicates the types  
1819 of property constituting the proceeds; or (b) a filed financing statement  
1820 covers the original collateral and the proceeds are identifiable cash  
1821 proceeds; or (c) the original collateral was investment property and the  
1822 proceeds are identifiable cash proceeds; or (d) the security interest in  
1823 the proceeds is perfected before the expiration of the ten-day period.  
1824 Except as provided in this section, a security interest in proceeds can  
1825 be perfected only by the methods or under the circumstances  
1826 permitted in this article for original collateral of the same type.

1827 (4) In the event of insolvency proceedings instituted by or against a  
1828 debtor, a secured party with a perfected security interest in proceeds  
1829 has a perfected security interest only in the following proceeds: (a) In  
1830 identifiable noncash proceeds and in separate deposit accounts  
1831 containing only proceeds; (b) in identifiable cash proceeds in the form  
1832 of money which is neither commingled with other money nor  
1833 deposited in a deposit account prior to the insolvency proceedings; (c)  
1834 in identifiable cash proceeds in the form of checks and the like which  
1835 are not deposited in a deposit account prior to the insolvency  
1836 proceedings; and (d) in all cash and deposit accounts of the debtor, in  
1837 which proceeds have been commingled with other funds, but the  
1838 perfected security interest under this subdivision (d) is (i) subject to  
1839 any right of set-off; and (ii) limited to an amount not greater than the  
1840 amount of any cash proceeds received by the debtor within ten days  
1841 before the institution of the insolvency proceedings less the sum of (A)  
1842 the payments to the secured party on account of cash proceeds  
1843 received by the debtor during such period and (B) the cash proceeds  
1844 received by the debtor during such period to which the secured party  
1845 is entitled under subdivisions (a) to (c), inclusive, of this subsection.

1846 (5) If a sale of goods results in an account or chattel paper which is  
1847 transferred by the seller to a secured party, and if the goods are  
1848 returned to or are repossessed by the seller or the secured party, the  
1849 following rules determine priorities: (a) If the goods were collateral at  
1850 the time of sale for an indebtedness of the seller which is still unpaid,  
1851 the original security interest attaches again to the goods and continues  
1852 as a perfected security interest if it was perfected at the time when the  
1853 goods were sold. If the security interest was originally perfected by a  
1854 filing which is still effective, nothing further is required to continue the  
1855 perfected status; in any other case, the secured party must take  
1856 possession of the returned or repossessed goods or must file. (b) An  
1857 unpaid transferee of the chattel paper has a security interest in the  
1858 goods against the transferor. Such security interest is prior to a security  
1859 interest asserted under paragraph (a) to the extent that the transferee  
1860 of the chattel paper was entitled to priority under section 42a-9-308. (c)  
1861 An unpaid transferee of the account has a security interest in the goods  
1862 against the transferor. Such security interest is subordinate to a  
1863 security interest asserted under subdivision (a) of this subsection. (d) A  
1864 security interest of an unpaid transferee asserted under subdivision (b)  
1865 or (c) of this subsection has to be perfected for protection against  
1866 creditors of the transferor and purchasers of the returned or  
1867 repossessed goods.]

1868 (a) Subject to subsection (c), the local law of the issuer's jurisdiction  
1869 or a nominated person's jurisdiction governs perfection, the effect of  
1870 perfection or nonperfection and the priority of a security interest in a  
1871 letter-of-credit right if the issuer's jurisdiction or nominated person's  
1872 jurisdiction is a state.

1873 (b) For purposes of sections 42a-9-301 to 42a-9-318, inclusive, as  
1874 amended by this act, and sections 39 to 62, inclusive, of this act, an  
1875 issuer's jurisdiction or nominated person's jurisdiction is the  
1876 jurisdiction whose law governs the liability of the issuer or nominated  
1877 person with respect to the letter-of-credit right as provided in section

1878 42a-5-116.

1879 (c) This section does not apply to a security interest that is perfected  
1880 only under subsection (d) of section 42a-9-308, as amended by this act.

1881 Sec. 27. Section 42a-9-307 of the general statutes is repealed and the  
1882 following is substituted in lieu thereof:

1883 [(1) A buyer in ordinary course of business as defined by subsection  
1884 (9) of section 42a-1-201 other than a person buying farm products from  
1885 a person engaged in farming operations takes free of a security interest  
1886 created by his seller even though the security interest is perfected and  
1887 even though the buyer knows of its existence.

1888 (2) In the case of consumer goods a buyer takes free of a security  
1889 interest even though perfected if he buys without knowledge of the  
1890 security interest, for value and for his own personal, family or  
1891 household purposes unless prior to the purchase the secured party has  
1892 filed a financing statement covering such goods.

1893 (3) A buyer, other than a buyer in ordinary course of business, takes  
1894 free of a security interest to the extent that it secures future advances  
1895 made after the secured party acquires knowledge of the purchase, or  
1896 more than forty-five days after the purchase, whichever first occurs,  
1897 unless made pursuant to a commitment entered into without  
1898 knowledge of the purchase and before the expiration of the forty-five-  
1899 day period.]

1900 (a) In this section, "place of business" means a place where a debtor  
1901 conducts its affairs.

1902 (b) Except as otherwise provided in this section, the following rules  
1903 determine a debtor's location:

1904 (1) A debtor who is an individual is located at the individual's  
1905 principal residence.

1906       (2) A debtor that is an organization and has only one place of  
1907 business is located at its place of business.

1908       (3) A debtor that is an organization and has more than one place of  
1909 business is located at its chief executive office.

1910       (c) Subsection (b) applies only if a debtor's residence, place of  
1911 business or chief executive office, as applicable, is located in a  
1912 jurisdiction whose law generally requires information concerning the  
1913 existence of a nonpossessory security interest to be made generally  
1914 available in a filing, recording or registration system as a condition or  
1915 result of the security interest's obtaining priority over the rights of a  
1916 lien creditor with respect to the collateral. If subsection (b) does not  
1917 apply, the debtor is located in the District of Columbia.

1918       (d) A person that ceases to exist, have a residence or have a place of  
1919 business continues to be located in the jurisdiction specified by  
1920 subsections (b) and (c).

1921       (e) A registered organization that is organized under the law of a  
1922 state is located in that state.

1923       (f) Except as otherwise provided in subsection (i), a registered  
1924 organization that is organized under the law of the United States and a  
1925 branch or agency of a bank that is not organized under the law of the  
1926 United States or a state are located:

1927       (1) In the state that the law of the United States designates, if the law  
1928 designates a state of location;

1929       (2) In the state that the registered organization, branch or agency  
1930 designates, if the law of the United States authorizes the registered  
1931 organization, branch or agency to designate its state of location; or

1932       (3) In the District of Columbia, if neither subdivision (1) nor  
1933 subdivision (2) applies.

1934     (g) A registered organization continues to be located in the  
1935 jurisdiction specified by subsection (e) or (f) notwithstanding:

1936     (1) The suspension, revocation, forfeiture or lapse of the registered  
1937 organization's status as such in its jurisdiction of organization; or

1938     (2) The dissolution, winding up or cancellation of the existence of  
1939 the registered organization.

1940     (h) The United States is located in the District of Columbia.

1941     (i) A branch or agency of a bank that is not organized under the law  
1942 of the United States or a state is located in the state in which the branch  
1943 or agency is licensed, if all branches and agencies of the bank are  
1944 licensed in only one state.

1945     (j) A foreign air carrier under the Federal Aviation Act of 1958, as  
1946 amended, is located at the designated office of the agent upon which  
1947 service of process may be made on behalf of the carrier.

1948     (k) This section applies only for purposes of sections 42a-9-301 to  
1949 42a-9-318, inclusive, as amended by this act, and sections 39 to 62,  
1950 inclusive, of this act.

1951     Sec. 28. Section 42a-9-308 of the general statutes is repealed and the  
1952 following is substituted in lieu thereof:

1953     [A purchaser of chattel paper or an instrument, who gives new  
1954 value and takes possession of it in the ordinary course of his business  
1955 has priority over a security interest in the chattel paper or instrument  
1956 (a) which is perfected under section 42a-9-304 or under section 42a-9-  
1957 306 if he acts without knowledge that the specific paper or instrument  
1958 is subject to a security interest; or (b) which is claimed merely as  
1959 proceeds of inventory subject to a security interest as provided in  
1960 section 42a-9-306 even though he knows that the specific paper is  
1961 subject to the security interest.]

1962       (a) Except as otherwise provided in this section and section 42a-9-  
1963       309, as amended by this act, a security interest is perfected if it has  
1964       attached and all of the applicable requirements for perfection in  
1965       sections 42a-9-310 to 42a-9-316, inclusive, as amended by this act, have  
1966       been satisfied. A security interest is perfected when it attaches if the  
1967       applicable requirements are satisfied before the security interest  
1968       attaches.

1969       (b) An agricultural lien is perfected if it has become effective and all  
1970       of the applicable requirements for perfection in section 42a-9-310, as  
1971       amended by this act, have been satisfied. An agricultural lien is  
1972       perfected when it becomes effective if the applicable requirements are  
1973       satisfied before the agricultural lien becomes effective.

1974       (c) A security interest or agricultural lien is perfected continuously if  
1975       it is originally perfected by one method under this article and is later  
1976       perfected by another method under this article, without an  
1977       intermediate period when it was unperfected.

1978       (d) Perfection of a security interest in collateral also perfects a  
1979       security interest in a supporting obligation for the collateral.

1980       (e) Perfection of a security interest in a right to payment or  
1981       performance also perfects a security interest in a security interest,  
1982       mortgage or other lien on personal or real property securing the right.

1983       (f) Perfection of a security interest in a securities account also  
1984       perfects a security interest in the security entitlements carried in the  
1985       securities account.

1986       (g) Perfection of a security interest in a commodity account also  
1987       perfects a security interest in the commodity contracts carried in the  
1988       commodity account.

1989       Sec. 29. Section 42a-9-309 of the general statutes is repealed and the  
1990       following is substituted in lieu thereof:



1991 [Nothing in this article limits the rights of a holder in due course of  
1992 a negotiable instrument, as defined in section 42a-3-302, or a holder to  
1993 whom a negotiable document of title has been duly negotiated as  
1994 provided in section 42a-7-501 or a protected purchaser of a security as  
1995 provided in section 42a-8-303 and such holders or purchasers take  
1996 priority over an earlier security interest even though perfected. Filing  
1997 under this article does not constitute notice of the security interest to  
1998 such holders or purchasers.]

1999 The following security interests are perfected when they attach:

2000 (1) A purchase-money security interest in consumer goods, except  
2001 as otherwise provided in subsection (b) of section 42a-9-311, as  
2002 amended by this act, with respect to consumer goods that are subject  
2003 to a statute or treaty described in subsection (a) of section 42a-9-311, as  
2004 amended by this act;

2005 (2) An assignment of accounts or payment intangibles which does  
2006 not by itself or in conjunction with other assignments to the same  
2007 assignee transfer a significant part of the assignor's outstanding  
2008 accounts or payment intangibles;

2009 (3) A sale of a payment intangible;

2010 (4) A sale of a promissory note;

2011 (5) A security interest created by the assignment of a health-care-  
2012 insurance receivable to the provider of the health-care goods or  
2013 services;

2014 (6) A security interest arising under section 42a-2-401, section 42a-2-  
2015 505 or subsection (3) of section 42a-2-711, until the debtor obtains  
2016 possession of the collateral;

2017 (7) A security interest of a collecting bank arising under section 42a-  
2018 4-210;

2019       (8) A security interest of an issuer or nominated person arising  
2020 under section 42a-5-118, as amended by this act;

2021       (9) A security interest arising in the delivery of a financial asset  
2022 under subsection (c) of section 42a-9-206, as amended by this act;

2023       (10) A security interest in investment property created by a broker  
2024 or securities intermediary;

2025       (11) A security interest in a commodity contract or a commodity  
2026 account created by a commodity intermediary;

2027       (12) An assignment for the benefit of all creditors of the transferor  
2028 and subsequent transfers by the assignee thereunder; and

2029       (13) A security interest created by an assignment of a beneficial  
2030 interest in a decedent's estate.

2031       Sec. 30. Section 42a-9-310 of the general statutes is repealed and the  
2032 following is substituted in lieu thereof:

2033       [When a person in the ordinary course of his business furnishes  
2034 services or materials with respect to goods subject to a security  
2035 interest, a lien upon goods in the possession of such person given by  
2036 statute or rule of law for such materials or services takes priority over a  
2037 perfected security interest unless the lien is statutory and the statute  
2038 expressly provides otherwise.]

2039       (a) Except as otherwise provided in subsection (b) of this section  
2040 and subsection (b) of section 42a-9-312, as amended by this act, a  
2041 financing statement must be filed to perfect all security interests and  
2042 agricultural liens.

2043       (b) The filing of a financing statement is not necessary to perfect a  
2044 security interest:

2045       (1) That is perfected under subsection (d), (e), (f) or (g) of section

2046 42a-9-308, as amended by this act;

2047 (2) That is perfected under section 42a-9-309, as amended by this act,  
2048 when it attaches;

2049 (3) In property subject to a statute, regulation or treaty described in  
2050 subsection (a) of section 42a-9-311, as amended by this act;

2051 (4) In goods in possession of a bailee which is perfected under  
2052 subdivision (1) or (2) of subsection (d) of section 42a-9-312, as amended  
2053 by this act;

2054 (5) In certificated securities, documents, goods or instruments which  
2055 is perfected without filing or possession under subsection (e), (f) or (g)  
2056 of section 42a-9-312, as amended by this act;

2057 (6) In collateral in the secured party's possession under section 42a-  
2058 9-313, as amended by this act;

2059 (7) In a certificated security which is perfected by delivery of the  
2060 security certificate to the secured party under section 42a-9-313, as  
2061 amended by this act;

2062 (8) In deposit accounts, electronic chattel paper, investment  
2063 property or letter-of-credit rights which is perfected by control under  
2064 section 42a-9-314, as amended by this act;

2065 (9) In proceeds which is perfected under section 42a-9-315, as  
2066 amended by this act; or

2067 (10) That is perfected under section 42a-9-316, as amended by this  
2068 act.

2069 (c) If a secured party assigns a perfected security interest or  
2070 agricultural lien, a filing under this article is not required to continue  
2071 the perfected status of the security interest against creditors of and  
2072 transferees from the original debtor.

2073       Sec. 31. Section 42a-9-311 of the general statutes is repealed and the  
2074 following is substituted in lieu thereof:

2075       [The debtor's rights in collateral may be voluntarily or involuntarily  
2076 transferred, by way of sale, creation of a security interest, attachment,  
2077 levy, garnishment or other judicial process, notwithstanding a  
2078 provision in the security agreement prohibiting any transfer or making  
2079 the transfer constitute a default.]

2080       (a) Except as otherwise provided in subsection (d) of this section,  
2081 the filing of a financing statement is not necessary or effective to  
2082 perfect a security interest in property subject to:

2083       (1) A statute, regulation or treaty of the United States whose  
2084 requirements for a security interest's obtaining priority over the rights  
2085 of a lien creditor with respect to the property preempt subsection (a) of  
2086 section 42a-9-310, as amended by this act;

2087       (2) Any certificate-of-title statute covering automobiles, trailers,  
2088 mobile homes, boats, farm tractors or the like, which provides for a  
2089 security interest to be indicated on the certificate as a condition or  
2090 result of perfection, and any non-Uniform Commercial Code central  
2091 filing statute, including chapter 247, section 21-67a, section 49-5,  
2092 chapter 282 and chapter 283; or

2093       (3) A certificate-of-title statute of another jurisdiction which  
2094 provides for a security interest to be indicated on the certificate as a  
2095 condition or result of the security interest's obtaining priority over the  
2096 rights of a lien creditor with respect to the property.

2097       (b) Compliance with the requirements of a statute, regulation or  
2098 treaty described in subsection (a) of this section for obtaining priority  
2099 over the rights of a lien creditor is equivalent to the filing of a financing  
2100 statement under this article. Except as otherwise provided in  
2101 subsection (d) of this section, section 42a-9-313, as amended by this act,

2102 and subsections (d) and (e) of section 42a-9-316, as amended by this  
2103 act, for goods covered by a certificate of title, a security interest in  
2104 property subject to a statute, regulation or treaty described in  
2105 subsection (a) of this section may be perfected only by compliance with  
2106 those requirements, and a security interest so perfected remains  
2107 perfected notwithstanding a change in the use or transfer of possession  
2108 of the collateral.

2109 (c) Except as otherwise provided in subsection (d) of this section  
2110 and subsections (d) and (e) of section 42a-9-316, as amended by this  
2111 act, duration and renewal of perfection of a security interest perfected  
2112 by compliance with the requirements prescribed by a statute,  
2113 regulation or treaty described in subsection (a) of this section are  
2114 governed by the statute, regulation or treaty. In other respects, the  
2115 security interest is subject to this article.

2116 (d) During any period in which collateral subject to a statute  
2117 specified in subdivision (2) of subsection (a) of this section is inventory  
2118 held for sale or lease by a person or leased by that person as lessor and  
2119 that person is in the business of selling goods of that kind, this section  
2120 does not apply to a security interest in that collateral created by that  
2121 person.

2122 Sec. 32. Section 42a-9-312 of the general statutes is repealed and the  
2123 following is substituted in lieu thereof:

2124 [(1) The rules of priority stated in other sections of this part and in  
2125 the following sections shall govern when applicable: Section 42a-4-210  
2126 with respect to the security interest of collecting banks in items being  
2127 collected, accompanying documents and proceeds; section 42a-9-103a  
2128 on security interests related to other jurisdictions; section 42a-9-114 on  
2129 consignments; section 42a-9-115 on security interests in investment  
2130 property.

2131 (2) A perfected security interest in crops for new value given to

2132 enable the debtor to produce the crops during the production season  
2133 and given not more than three months before the crops become  
2134 growing crops by planting or otherwise takes priority over an earlier  
2135 perfected security interest to the extent that such earlier interest  
2136 secures obligations due more than six months before the crops become  
2137 growing crops by planting or otherwise, even though the person  
2138 giving new value had knowledge of the earlier security interest.

2139 (3) A perfected purchase money security interest in inventory has  
2140 priority over a conflicting security interest in the same inventory and  
2141 also has priority in identifiable cash proceeds received on or before the  
2142 delivery of the inventory to a buyer if (a) the purchase money security  
2143 interest is perfected at the time the debtor receives possession of the  
2144 inventory; and (b) the purchase money secured party gives notification  
2145 in writing to the holder of the conflicting security interest if the holder  
2146 had filed a financing statement covering the same types of inventory  
2147 (i) before the date of the filing made by the purchase money secured  
2148 party, or (ii) before the beginning of the twenty-one-day period where  
2149 the purchase money security interest is temporarily perfected without  
2150 filing or possession; and (c) the holder of the conflicting security  
2151 interest receives the notification within five years before the debtor  
2152 receives possession of the inventory; and (d) the notification states that  
2153 the person giving the notice has or expects to acquire a purchase  
2154 money security interest in inventory of the debtor, describing such  
2155 inventory by item or type.

2156 (4) A purchase money security interest in collateral other than  
2157 inventory has priority over a conflicting security interest in the same  
2158 collateral or its proceeds if the purchase money security interest is  
2159 perfected at the time the debtor receives possession of the collateral or  
2160 within twenty days thereafter.

2161 (5) In all cases not governed by other rules stated in this section,  
2162 including cases of purchase money security interests which do not

2163 qualify for the special priorities set forth in subsections (3) and (4) of  
2164 this section, priority between conflicting security interests in the same  
2165 collateral shall be determined according to the following rules: (a)  
2166 Conflicting security interests rank according to priority in time of filing  
2167 or perfection. Priority dates from the time a filing is first made  
2168 covering the collateral or the time the security interest is first perfected,  
2169 whichever is earlier, provided there is no period thereafter when there  
2170 is neither filing nor perfection; (b) so long as conflicting security  
2171 interests are unperfected, the first to attach has priority.

2172 (6) For the purposes of subsection (5) of this section, a date of filing  
2173 or perfection as to collateral is also a date of filing or perfection as to  
2174 proceeds.

2175 (7) If future advances are made while a security interest is perfected  
2176 by filing, the taking of possession, or under section 42a-9-115 or 42a-9-  
2177 116 on investment property, the security interest has the same priority  
2178 for the purposes of subsection (5) of this section with respect to the  
2179 future advances as it does with respect to the first advance. If a  
2180 commitment is made before or while the security interest is so  
2181 perfected, the security interest has the same priority with respect to  
2182 advances made pursuant thereto. In other cases a perfected security  
2183 interest has priority from the date the advance is made.]

2184 (a) A security interest in chattel paper, negotiable documents,  
2185 instruments or investment property may be perfected by filing.

2186 (b) Except as otherwise provided in subsections (c) and (d) of  
2187 section 42a-9-315, as amended by this act, for proceeds:

2188 (1) A security interest in a deposit account may be perfected only by  
2189 control under section 42a-9-314, as amended by this act;

2190 (2) And except as otherwise provided in subsection (d) of section  
2191 42a-9-308, as amended by this act, a security interest in a letter-of-

2192 credit right may be perfected only by control under section 42a-9-314,  
2193 as amended by this act; and

2194 (3) A security interest in money may be perfected only by the  
2195 secured party's taking possession under section 42a-9-313, as amended  
2196 by this act.

2197 (c) While goods are in the possession of a bailee that has issued a  
2198 negotiable document covering the goods:

2199 (1) A security interest in the goods may be perfected by perfecting a  
2200 security interest in the document; and

2201 (2) A security interest perfected in the document has priority over  
2202 any security interest that becomes perfected in the goods by another  
2203 method during that time.

2204 (d) While goods are in the possession of a bailee that has issued a  
2205 nonnegotiable document covering the goods, a security interest in the  
2206 goods may be perfected by:

2207 (1) Issuance of a document in the name of the secured party;

2208 (2) The bailee's receipt of notification of the secured party's interest;  
2209 or

2210 (3) Filing as to the goods.

2211 (e) A security interest in certificated securities, negotiable  
2212 documents or instruments is perfected without filing or the taking of  
2213 possession for a period of twenty days from the time it attaches to the  
2214 extent that it arises for new value given under an authenticated  
2215 security agreement.

2216 (f) A perfected security interest in a negotiable document or goods  
2217 in possession of a bailee, other than one that has issued a negotiable  
2218 document for the goods, remains perfected for twenty days without



2219 filing if the secured party makes available to the debtor the goods or  
2220 documents representing the goods for the purpose of:

2221 (1) Ultimate sale or exchange; or

2222 (2) Loading, unloading, storing, shipping, transshipping,  
2223 manufacturing, processing or otherwise dealing with them in a  
2224 manner preliminary to their sale or exchange.

2225 (g) A perfected security interest in a certificated security or  
2226 instrument remains perfected for twenty days without filing if the  
2227 secured party delivers the security certificate or instrument to the  
2228 debtor for the purpose of:

2229 (1) Ultimate sale or exchange; or

2230 (2) Presentation, collection, enforcement, renewal or registration of  
2231 transfer.

2232 (h) After the twenty-day period specified in subsection (e), (f) or (g)  
2233 expires, perfection depends upon compliance with this article.

2234 Sec. 33. Section 42a-9-313 of the general statutes is repealed and the  
2235 following is substituted in lieu thereof:

2236 [(1) In this section and in the provisions of part 4 of this article  
2237 referring to fixture filing, unless the context otherwise requires (a)  
2238 goods are "fixtures" when they become so related to particular real  
2239 estate that an interest in them arises under real estate law; (b) a "fixture  
2240 filing" is the filing in the office where a mortgage on the real estate  
2241 would be filed or recorded of a financing statement covering goods  
2242 which are or are to become fixtures and conforming to the  
2243 requirements of subsection (5) of section 42a-9-402; (c) a mortgage is a  
2244 "construction mortgage" to the extent that it secures an obligation  
2245 incurred for the construction of an improvement on land including the  
2246 acquisition cost of the land, if the recorded writing so indicates.

2247       (2) A security interest under this article may be created in goods  
2248 which are fixtures or may continue in goods which become fixtures,  
2249 but no security interest exists under this article in ordinary building  
2250 materials incorporated into an improvement on land.

2251       (3) This article does not prevent creation of an encumbrance upon  
2252 fixtures pursuant to real estate law.

2253       (4) A perfected security interest in fixtures has priority over the  
2254 conflicting interest of an encumbrancer or owner of the real estate  
2255 where (a) the security interest is a purchase money security interest,  
2256 the interest of the encumbrancer or owner arises before the goods  
2257 become fixtures, the security interest is perfected by a fixture filing  
2258 before the goods become fixtures or within ten days thereafter, and the  
2259 debtor has an interest of record in the real estate or is in possession of  
2260 the real estate; or (b) the security interest is perfected by a fixture filing  
2261 before the interest of the encumbrancer or owner is of record, the  
2262 security interest has priority over any conflicting interest of a  
2263 predecessor in title of the encumbrancer or owner, and the debtor has  
2264 an interest of record in the real estate or is in possession of the real  
2265 estate; or (c) the fixtures are readily removable factory or office  
2266 machines or readily removable replacements of domestic appliances  
2267 which are consumer goods, and before the goods become fixtures the  
2268 security interest is perfected by any method permitted by this article;  
2269 or (d) the conflicting interest is a lien on the real estate obtained by  
2270 legal or equitable proceedings after the security interest was perfected  
2271 by any method permitted by this article.

2272       (5) A security interest in fixtures, whether or not perfected, has  
2273 priority over the conflicting interest of an encumbrancer or owner of  
2274 the real estate where (a) the encumbrancer or owner has consented in  
2275 writing to the security interest or has disclaimed an interest in the  
2276 goods as fixtures; or (b) the debtor has a right to remove the goods as  
2277 against the encumbrancer or owner. If the debtor's right terminates,

2278 the priority of the security interest continues for a reasonable time.

2279 (6) Notwithstanding subdivision (a) of subsection (4) of this section  
2280 but otherwise subject to subsections (4) and (5) of this section, a  
2281 security interest in fixtures is subordinate to a construction mortgage  
2282 recorded before the goods become fixtures if the goods become  
2283 fixtures before the completion of the construction. To the extent that it  
2284 is given to refinance a construction mortgage, a mortgage has this  
2285 priority to the same extent as the construction mortgage.

2286 (7) In cases not within subsections (1) to (6), inclusive, of this  
2287 section, a security interest in fixtures is subordinate to the conflicting  
2288 interest of an encumbrancer or owner of the related real estate who is  
2289 not the debtor.

2290 (8) When the secured party has priority over all owners and  
2291 encumbrancers of the real estate, he may, on default, subject to the  
2292 provisions of part 5 of this article, remove his collateral from the real  
2293 estate but he must reimburse any encumbrancer or owner of the real  
2294 estate who is not the debtor and who has not otherwise agreed for the  
2295 cost of repair of any physical injury, but not for any diminution in  
2296 value of the real estate caused by the absence of the goods removed or  
2297 by any necessity for replacing them. A person entitled to  
2298 reimbursement may refuse permission to remove until the secured  
2299 party gives adequate security for the performance of this obligation. ]

2300 (a) Except as otherwise provided in subsection (b) of this section, a  
2301 secured party may perfect a security interest in negotiable documents,  
2302 goods, instruments, money or tangible chattel paper by taking  
2303 possession of the collateral. A secured party may perfect a security  
2304 interest in certificated securities by taking delivery of the certificated  
2305 securities under section 42a-8-301, as amended by this act.

2306 (b) With respect to goods covered by a certificate of title issued by  
2307 this state, a secured party may perfect a security interest in the goods

2308 by taking possession of the goods only in the circumstances described  
2309 in subsection (d) of section 42a-9-316, as amended by this act.

2310 (c) With respect to collateral other than certificated securities and  
2311 goods covered by a document, a secured party takes possession of  
2312 collateral in the possession of a person other than the debtor, the  
2313 secured party or a lessee of the collateral from the debtor in the  
2314 ordinary course of the debtor's business, when:

2315 (1) The person in possession authenticates a record acknowledging  
2316 that it holds possession of the collateral for the secured party's benefit;  
2317 or

2318 (2) The person takes possession of the collateral after having  
2319 authenticated a record acknowledging that it will hold possession of  
2320 collateral for the secured party's benefit.

2321 (d) If perfection of a security interest depends upon possession of  
2322 the collateral by a secured party, perfection occurs no earlier than the  
2323 time the secured party takes possession and continues only while the  
2324 secured party retains possession.

2325 (e) A security interest in a certificated security in registered form is  
2326 perfected by delivery when delivery of the certificated security occurs  
2327 under section 42a-8-301, as amended by this act, and remains perfected  
2328 by delivery until the debtor obtains possession of the security  
2329 certificate.

2330 (f) A person in possession of collateral is not required to  
2331 acknowledge that it holds possession for a secured party's benefit.

2332 (g) If a person acknowledges that it holds possession for the secured  
2333 party's benefit:

2334 (1) The acknowledgment is effective under subsection (c) of this  
2335 section or subsection (a) of section 42a-8-301, as amended by this act,

2336 even if the acknowledgment violates the rights of a debtor; and

2337 (2) Unless the person otherwise agrees or law other than this article  
2338 otherwise provides, the person does not owe any duty to the secured  
2339 party and is not required to confirm the acknowledgment to another  
2340 person.

2341 (h) A secured party having possession of collateral does not  
2342 relinquish possession by delivering the collateral to a person other  
2343 than the debtor or a lessee of the collateral from the debtor in the  
2344 ordinary course of the debtor's business if the person was instructed  
2345 before the delivery or is instructed contemporaneously with the  
2346 delivery:

2347 (1) To hold possession of the collateral for the secured party's  
2348 benefit; or

2349 (2) To redeliver the collateral to the secured party.

2350 (i) A secured party does not relinquish possession, even if a delivery  
2351 under subsection (h) violates the rights of a debtor. A person to which  
2352 collateral is delivered under subsection (h) does not owe any duty to  
2353 the secured party and is not required to confirm the delivery to  
2354 another person unless the person otherwise agrees or law other than  
2355 this article otherwise provides.

2356 Sec. 34. Section 42a-9-314 of the general statutes is repealed and the  
2357 following is substituted in lieu thereof:

2358 [(1) A security interest in goods which attaches before they are  
2359 installed in or affixed to other goods takes priority as to the goods  
2360 installed or affixed, called in this section "accessions", over the claims  
2361 of all persons to the whole except as stated in subsection (3) and  
2362 subject to section 42a-9-315(1).

2363 (2) A security interest which attaches to goods after they become

2364 part of a whole is valid against all persons subsequently acquiring  
2365 interests in the whole except as stated in subsection (3) but is invalid  
2366 against any person with an interest in the whole at the time the  
2367 security interest attaches to the goods who has not in writing  
2368 consented to the security interest or disclaimed an interest in the goods  
2369 as part of the whole.

2370 (3) The security interests described in subsections (1) and (2) do not  
2371 take priority over (a) a subsequent purchaser for value of any interest  
2372 in the whole; or (b) a creditor with a lien on the whole subsequently  
2373 obtained by judicial proceedings; or (c) a creditor with a prior  
2374 perfected security interest in the whole to the extent that he makes  
2375 subsequent advances if the subsequent purchase is made, the lien by  
2376 judicial proceedings obtained or the subsequent advance under the  
2377 prior perfected security interest is made or contracted for without  
2378 knowledge of the security interest and before it is perfected. A  
2379 purchaser of the whole at a foreclosure sale other than the holder of a  
2380 perfected security interest purchasing at his own foreclosure sale is a  
2381 subsequent purchaser within this section.

2382 (4) When under subsections (1) or (2) and (3) a secured party has an  
2383 interest in accessions which has priority over the claims of all persons  
2384 who have interests in the whole, he may on default subject to the  
2385 provisions of part 5 remove his collateral from the whole but he must  
2386 reimburse any encumbrancer or owner of the whole who is not the  
2387 debtor and who has not otherwise agreed for the cost of repair of any  
2388 physical injury but not for any diminution in value of the whole  
2389 caused by the absence of the goods removed or by any necessity for  
2390 replacing them. A person entitled to reimbursement may refuse  
2391 permission to remove until the secured party gives adequate security  
2392 for the performance of this obligation.]

2393 (a) A security interest in investment property, deposit accounts,  
2394 letter-of-credit rights or electronic chattel paper may be perfected by

2395 control of the collateral under section 42a-9-104, as amended by this  
2396 act, 42a-9-105, as amended by this act, 42a-9-106, as amended by this  
2397 act, or 42a-9-107, as amended by this act.

2398 (b) A security interest in deposit accounts, electronic chattel paper  
2399 or letter-of-credit rights is perfected by control under section 42a-9-104,  
2400 as amended by this act, 42a-9-105, as amended by this act, or 42a-9-107,  
2401 as amended by this act, when the secured party obtains control and  
2402 remains perfected by control only while the secured party retains  
2403 control.

2404 (c) A security interest in investment property is perfected by control  
2405 under section 42a-9-106, as amended by this act, from the time the  
2406 secured party obtains control and remains perfected by control until:

2407 (1) The secured party does not have control; and

2408 (2) One of the following occurs:

2409 (A) If the collateral is a certificated security, the debtor has or  
2410 acquires possession of the security certificate;

2411 (B) If the collateral is an uncertificated security, the issuer has  
2412 registered or registers the debtor as the registered owner; or

2413 (C) If the collateral is a security entitlement, the debtor is or becomes  
2414 the entitlement holder.

2415 Sec. 35. Section 42a-9-315 of the general statutes is repealed and the  
2416 following is substituted in lieu thereof:

2417 [(1) If a security interest in goods was perfected and subsequently  
2418 the goods or a part thereof have become part of a product or mass, the  
2419 security interest continues in the product or mass if (a) the goods are  
2420 so manufactured, processed, assembled or commingled that their  
2421 identity is lost in the product or mass; or (b) a financing statement

2422 covering the original goods also covers the product into which the  
2423 goods have been manufactured, processed or assembled. In a case to  
2424 which paragraph (b) applies, no separate security interest in that part  
2425 of the original goods which has been manufactured, processed or  
2426 assembled into the product may be claimed under section 42a-9-314.

2427 (2) When under subsection (1) more than one security interest  
2428 attaches to the product or mass, they rank equally according to the  
2429 ratio that the cost of the goods to which each interest originally  
2430 attached bears to the cost of the total product or mass. ]

2431 (a) Except as otherwise provided in this article and in subsection (2)  
2432 of section 42a-2-403:

2433 (1) A security interest or agricultural lien continues in collateral  
2434 notwithstanding sale, lease, license, exchange or other disposition  
2435 thereof unless the secured party authorized the disposition free of the  
2436 security interest or agricultural lien; and

2437 (2) A security interest attaches to any identifiable proceeds of  
2438 collateral.

2439 (b) Proceeds that are commingled with other property are  
2440 identifiable proceeds:

2441 (1) If the proceeds are goods, to the extent provided by section 56 of  
2442 this act; and

2443 (2) If the proceeds are not goods, to the extent that the secured party  
2444 identifies the proceeds by a method of tracing, including application of  
2445 equitable principles, that is permitted under law other than this article  
2446 with respect to commingled property of the type involved.

2447 (c) A security interest in proceeds is a perfected security interest if  
2448 the security interest in the original collateral was perfected.



2449     (d) A perfected security interest in proceeds becomes unperfected  
2450     on the twenty-first day after the security interest attaches to the  
2451     proceeds unless:

2452     (1) The following conditions are satisfied:

2453     (A) A filed financing statement covers the original collateral;

2454     (B) The proceeds are collateral in which a security interest may be  
2455     perfected by filing in the office in which the financing statement has  
2456     been filed; and

2457     (C) The proceeds are not acquired with cash proceeds;

2458     (2) The proceeds are identifiable cash proceeds; or

2459     (3) The security interest in the proceeds is perfected other than  
2460     under subsection (c) of this section when the security interest attaches  
2461     to the proceeds or within twenty days thereafter.

2462     (e) If a filed financing statement covers the original collateral, a  
2463     security interest in proceeds which remains perfected under  
2464     subdivision (1) of subsection (d) of this section becomes unperfected at  
2465     the later of:

2466     (1) When the effectiveness of the filed financing statement lapses  
2467     under section 86 of this act, or is terminated under section 84 of this  
2468     act; or

2469     (2) The twenty-first day after the security interest attaches to the  
2470     proceeds.

2471     Sec. 36. Section 42a-9-316 of the general statutes is repealed and the  
2472     following is substituted in lieu thereof:

2473     [Nothing in this article prevents subordination by agreement by any  
2474     person entitled to priority.]

2475     (a) A security interest perfected pursuant to the law of the  
2476 jurisdiction designated in subdivision (1) of section 42a-9-301, as  
2477 amended by this act, or subsection (c) of section 42a-9-305, as amended  
2478 by this act, remains perfected until the earliest of:

2479     (1) The time perfection would have ceased under the law of that  
2480 jurisdiction;

2481     (2) The expiration of four months after a change of the debtor's  
2482 location to another jurisdiction;

2483     (3) The expiration of one year after a transfer of collateral to a  
2484 person that thereby becomes a debtor and is located in another  
2485 jurisdiction; or

2486     (4) The expiration of one year after a new debtor located in another  
2487 jurisdiction becomes bound under subsection (d) of section 42a-9-203,  
2488 as amended by this act.

2489     (b) If a security interest described in subsection (a) becomes  
2490 perfected under the law of the other jurisdiction before the earliest  
2491 time or event described in that subsection, it remains perfected  
2492 thereafter. If the security interest does not become perfected under the  
2493 law of the other jurisdiction before the earliest time or event, it  
2494 becomes unperfected and is deemed never to have been perfected as  
2495 against a purchaser of the collateral for value.

2496     (c) A possessory security interest in collateral, other than goods  
2497 covered by a certificate of title and as-extracted collateral consisting of  
2498 goods, remains continuously perfected if:

2499     (1) The collateral is located in one jurisdiction and subject to a  
2500 security interest perfected under the law of that jurisdiction;

2501     (2) Thereafter the collateral is brought into another jurisdiction; and

2502       (3) Upon entry into the other jurisdiction, the security interest is  
2503 perfected under the law of the other jurisdiction.

2504       (d) Except as otherwise provided in subsection (e), a security  
2505 interest in goods covered by a certificate of title which is perfected by  
2506 any method under the law of another jurisdiction when the goods  
2507 become covered by a certificate of title from this state remains  
2508 perfected until the security interest would have become unperfected  
2509 under the law of the other jurisdiction had the goods not become so  
2510 covered.

2511       (e) A security interest described in subsection (d) becomes  
2512 unperfected as against a purchaser of the goods for value and is  
2513 deemed never to have been perfected as against a purchaser of the  
2514 goods for value if the applicable requirements for perfection under  
2515 subsection (b) of section 42a-9-311, as amended by this act, or section  
2516 42a-9-313, as amended by this act, are not satisfied before the earlier of:

2517       (1) The time the security interest would have become unperfected  
2518 under the law of the other jurisdiction had the goods not become  
2519 covered by a certificate of title from this state; or

2520       (2) The expiration of four months after the goods had become so  
2521 covered.

2522       (f) A security interest in deposit accounts, letter-of-credit rights or  
2523 investment property which is perfected under the law of the bank's  
2524 jurisdiction, the issuer's jurisdiction, a nominated person's jurisdiction,  
2525 the securities intermediary's jurisdiction or the commodity  
2526 intermediary's jurisdiction, as applicable, remains perfected until the  
2527 earlier of:

2528       (1) The time the security interest would have become unperfected  
2529 under the law of that jurisdiction; or

2530       (2) The expiration of four months after a change of the applicable

2531 jurisdiction to another jurisdiction.

2532 (g) If a security interest described in subsection (f) becomes  
2533 perfected under the law of the other jurisdiction before the earlier of  
2534 the time or the end of the period described in that subsection, it  
2535 remains perfected thereafter. If the security interest does not become  
2536 perfected under the law of the other jurisdiction before the earlier of  
2537 that time or the end of that period, it becomes unperfected and is  
2538 deemed never to have been perfected as against a purchaser of the  
2539 collateral for value.

2540 Sec. 37. Section 42a-9-317 of the general statutes is repealed and the  
2541 following is substituted in lieu thereof:

2542 [The mere existence of a security interest or authority given to the  
2543 debtor to dispose of or use collateral does not impose contract or tort  
2544 liability upon the secured party for the debtor's acts or omissions.]

2545 (a) A security interest or agricultural lien is subordinate to the rights  
2546 of:

2547 (1) A person entitled to priority under section 42 of this act; and

2548 (2) Except as otherwise provided in subsection (e), a person that  
2549 becomes a lien creditor before the security interest or agricultural lien  
2550 is perfected.

2551 (b) Except as otherwise provided in subsection (e), a buyer, other  
2552 than a secured party, of tangible chattel paper, documents, goods,  
2553 instruments or a security certificate takes free of a security interest or  
2554 agricultural lien if the buyer gives value and receives delivery of the  
2555 collateral without knowledge of the security interest or agricultural  
2556 lien and before it is perfected.

2557 (c) Except as otherwise provided in subsection (e), a lessee of goods  
2558 takes free of a security interest or agricultural lien if the lessee gives

2559 value and receives delivery of the collateral without knowledge of the  
2560 security interest or agricultural lien and before it is perfected.

2561 (d) A licensee of a general intangible or a buyer, other than a  
2562 secured party, of accounts, electronic chattel paper, general intangibles  
2563 or investment property other than a certificated security takes free of a  
2564 security interest if the licensee or buyer gives value without  
2565 knowledge of the security interest and before it is perfected.

2566 (e) Except as otherwise provided in sections 40 and 41 of this act, if a  
2567 person files a financing statement with respect to a purchase-money  
2568 security interest before or within twenty days after the debtor receives  
2569 delivery of the collateral, the security interest takes priority over the  
2570 rights of a buyer, lessee or lien creditor which arise between the time  
2571 the security interest attaches and the time of filing.

2572 Sec. 38. Section 42a-9-318 of the general statutes is repealed and the  
2573 following is substituted in lieu thereof:

2574 [(1) Unless an account debtor has made an enforceable agreement  
2575 not to assert defenses or claims arising out of a sale as provided in  
2576 section 42a-9-206 the rights of an assignee are subject to (a) all the  
2577 terms of the contract between the account debtor and assignor and any  
2578 defense or claim arising therefrom; and (b) any other defense or claim  
2579 of the account debtor against the assignor which accrues before the  
2580 account debtor receives notification of the assignment.

2581 (2) So far as the right to payment or a part thereof under an assigned  
2582 contract right has not been fully earned by performance and  
2583 notwithstanding notification of the assignment, any modification of or  
2584 substitution for the contract made in good faith and in accordance with  
2585 reasonable commercial standards is effective against an assignee  
2586 unless the account debtor has otherwise agreed but the assignee  
2587 acquires corresponding rights under the modified or substituted  
2588 contract. The assignment may provide that such modification or

2589 substitution is a breach by the assignor.

2590 (3) The account debtor is authorized to pay the assignor until the  
2591 account debtor receives notification that the amount due or to become  
2592 due has been assigned and that payment is to be made to the assignee.  
2593 A notification which does not reasonably identify the rights assigned is  
2594 ineffective. If requested by the account debtor, the assignee must  
2595 seasonably furnish reasonable proof that the assignment has been  
2596 made and unless he does so the account debtor may pay the assignor.

2597 (4) A term in any contract between an account debtor and an  
2598 assignor is ineffective if it prohibits assignment of an account or  
2599 prohibits creation of a security interest in a general intangible for  
2600 money due or to become due or requires the account debtor's consent  
2601 to such assignment or security interest.]

2602 (a) A debtor that has sold an account, chattel paper, payment  
2603 intangible or promissory note does not retain a legal or equitable  
2604 interest in the collateral sold.

2605 (b) For purposes of determining the rights of creditors of, and  
2606 purchasers for value of an account or chattel paper from, a debtor that  
2607 has sold an account or chattel paper, while the buyer's security interest  
2608 is unperfected, the debtor is deemed to have rights and title to the  
2609 account or chattel paper identical to those the debtor sold.

2610 Sec. 39. (NEW) (a) Except as otherwise provided in subsection (b) of  
2611 this section, for purposes of determining the rights of creditors of, and  
2612 purchasers for value of goods from, a consignee, while the goods are in  
2613 the possession of the consignee, the consignee is deemed to have rights  
2614 and title to the goods identical to those the consignor had or had  
2615 power to transfer.

2616 (b) For purposes of determining the rights of a creditor of a  
2617 consignee, law other than this article determines the rights and title of

2618 a consignee while goods are in the consignee's possession if, under  
2619 sections 42a-9-301 to 42a-9-318, inclusive, of the general statutes, as  
2620 amended by this act, and sections 39 to 62, inclusive, of this act, a  
2621 perfected security interest held by the consignor would have priority  
2622 over the rights of the creditor.

2623       Sec. 40. (NEW) (a) Except as otherwise provided in subsection (e) of  
2624 this section, a buyer in ordinary course of business, other than a person  
2625 buying farm products from a person engaged in farming operations,  
2626 takes free of a security interest created by the buyer's seller, even if the  
2627 security interest is perfected and the buyer knows of its existence.

2628       (b) Except as otherwise provided in subsection (e) of this section, a  
2629 buyer of goods from a person who used or bought the goods for use  
2630 primarily for personal, family or household purposes takes free of a  
2631 security interest, even if perfected, if the buyer buys:

2632       (1) Without knowledge of the security interest;

2633       (2) For value; and

2634       (3) Primarily for the buyer's personal, family or household  
2635 purposes.

2636       (c) To the extent that it affects the priority of a security interest over  
2637 a buyer of goods under subsection (b) of this section, the period of  
2638 effectiveness of a filing made in the jurisdiction in which the seller is  
2639 located is governed by subsections (a) and (b) of section 42a-9-316 of  
2640 the general statutes, as amended by this act.

2641       (d) A buyer in ordinary course of business buying oil, gas or other  
2642 minerals at the wellhead or minehead or after extraction takes free of  
2643 an interest arising out of an encumbrance.

2644       (e) Subsections (a) and (b) do not affect a security interest in goods  
2645 in the possession of the secured party under section 42a-9-313 of the

2646 general statutes, as amended by this act.

2647       Sec. 41. (NEW) (a) In this section, "licensee in ordinary course of  
2648 business" means a person that becomes a licensee of a general  
2649 intangible in good faith, without knowledge that the license violates  
2650 the rights of another person in the general intangible, and in the  
2651 ordinary course from a person in the business of licensing general  
2652 intangibles of that kind. A person becomes a licensee in the ordinary  
2653 course if the license to the person comports with the usual or  
2654 customary practices in the kind of business in which the licensor is  
2655 engaged or with the licensor's own usual or customary practices.

2656       (b) A licensee in ordinary course of business takes its rights under a  
2657 nonexclusive license free of a security interest in the general intangible  
2658 created by the licensor, even if the security interest is perfected and the  
2659 licensee knows of its existence.

2660       (c) A lessee in ordinary course of business takes its leasehold  
2661 interest free of a security interest in the goods created by the lessor,  
2662 even if the security interest is perfected and the lessee knows of its  
2663 existence.

2664       Sec. 42. (NEW) (a) Except as otherwise provided in this section,  
2665 priority among conflicting security interests and agricultural liens in  
2666 the same collateral is determined according to the following rules:

2667       (1) Conflicting perfected security interests and agricultural liens  
2668 rank according to priority in time of filing or perfection. Priority dates  
2669 from the earlier of the time a filing covering the collateral is first made  
2670 or the security interest or agricultural lien is first perfected, if there is  
2671 no period thereafter when there is neither filing nor perfection.

2672       (2) A perfected security interest or agricultural lien has priority over  
2673 a conflicting unperfected security interest or agricultural lien.

2674       (3) The first security interest or agricultural lien to attach or become



2675 effective has priority if conflicting security interests and agricultural  
2676 liens are unperfected.

2677 (b) For the purposes of subdivision (1) of subsection (a) of this  
2678 section:

2679 (1) The time of filing or perfection as to a security interest in  
2680 collateral is also the time of filing or perfection as to a security interest  
2681 in proceeds; and

2682 (2) The time of filing or perfection as to a security interest in  
2683 collateral supported by a supporting obligation is also the time of filing  
2684 or perfection as to a security interest in the supporting obligation.

2685 (c) Except as otherwise provided in subsection (f) of this section, a  
2686 security interest in collateral which qualifies for priority over a  
2687 conflicting security interest under section 47, 48, 49, 50 or 51 of this act  
2688 also has priority over a conflicting security interest in:

2689 (1) Any supporting obligation for the collateral; and

2690 (2) Proceeds of the collateral if:

2691 (A) The security interest in proceeds is perfected;

2692 (B) The proceeds are cash proceeds or of the same type as the  
2693 collateral; and

2694 (C) In the case of proceeds that are proceeds of proceeds, all  
2695 intervening proceeds are cash proceeds, proceeds of the same type as  
2696 the collateral or an account relating to the collateral.

2697 (d) Subject to subsection (e) of this section and except as otherwise  
2698 provided in subsection (f) of this section, if a security interest in chattel  
2699 paper, deposit accounts, negotiable documents, instruments,  
2700 investment property or letter-of-credit rights is perfected by a method  
2701 other than filing, conflicting perfected security interests in proceeds of

2702 the collateral rank according to priority in time of filing.

2703 (e) Subsection (d) of this section applies only if the proceeds of the  
2704 collateral are not cash proceeds, chattel paper, negotiable documents,  
2705 instruments, investment property or letter-of-credit rights.

2706 (f) Subsections (a) to (e), inclusive, of this section are subject to:

2707 (1) Subsection (g) of this section and the other provisions of sections  
2708 42a-9-301 to 42a-9-318, inclusive, of the general statutes, as amended  
2709 by this act, and sections 39 to 62, inclusive, of this act;

2710 (2) Section 42a-4-210 of the general statutes with respect to a  
2711 security interest of a collecting bank;

2712 (3) Section 42a-5-118 of the general statutes, as amended by this act,  
2713 with respect to a security interest of an issuer or nominated person;  
2714 and

2715 (4) Section 42a-9-110 of the general statutes, as amended by this act,  
2716 with respect to a security interest arising under article 2.

2717 (g) A perfected agricultural lien on collateral has priority over a  
2718 conflicting security interest in or agricultural lien on the same  
2719 collateral if the statute creating the agricultural lien so provides.

2720 Sec. 43. (NEW) (a) Except as otherwise provided in subsection (c) of  
2721 this section, for purposes of determining the priority of a perfected  
2722 security interest under subdivision (1) of subsection (a) of section 42 of  
2723 this act, perfection of the security interest dates from the time an  
2724 advance is made to the extent that the security interest secures an  
2725 advance that:

2726 (1) Is made while the security interest is perfected only:

2727 (A) Under section 42a-9-309 of the general statutes, as amended by  
2728 this act, when it attaches; or

2729 (B) Temporarily under subsection (e), (f) or (g) of section 42a-9-312  
2730 of the general statutes, as amended by this act; and

2731 (2) Is not made pursuant to a commitment entered into before or  
2732 while the security interest is perfected by a method other than under  
2733 section 42a-9-309 of the general statutes, as amended by this act, or  
2734 subsection (e), (f) or (g) of section 42a-9-312 of the general statutes, as  
2735 amended by this act.

2736 (b) Except as otherwise provided in subsection (c) of this section, a  
2737 security interest is subordinate to the rights of a person that becomes a  
2738 lien creditor to the extent that the security interest secures an advance  
2739 made more than forty-five days after the person becomes a lien  
2740 creditor unless the advance is made:

2741 (1) Without knowledge of the lien; or

2742 (2) Pursuant to a commitment entered into without knowledge of  
2743 the lien.

2744 (c) Subsections (a) and (b) of this section do not apply to a security  
2745 interest held by a secured party that is a buyer of accounts, chattel  
2746 paper, payment intangibles or promissory notes or a consignor.

2747 (d) Except as otherwise provided in subsection (e) of this section, a  
2748 buyer of goods other than a buyer in ordinary course of business takes  
2749 free of a security interest to the extent that it secures advances made  
2750 after the earlier of:

2751 (1) The time the secured party acquires knowledge of the buyer's  
2752 purchase; or

2753 (2) Forty-five days after the purchase.

2754 (e) Subsection (d) of this section does not apply if the advance is  
2755 made pursuant to a commitment entered into without knowledge of

2756 the buyer's purchase and before the expiration of the forty-five-day  
2757 period.

2758 (f) Except as otherwise provided in subsection (g) of this section, a  
2759 lessee of goods, other than a lessee in ordinary course of business,  
2760 takes the leasehold interest free of a security interest to the extent that  
2761 it secures advances made after the earlier of:

2762 (1) The time the secured party acquires knowledge of the lease; or

2763 (2) Forty-five days after the lease contract becomes enforceable.

2764 (g) Subsection (f) of this section does not apply if the advance is  
2765 made pursuant to a commitment entered into without knowledge of  
2766 the lease and before the expiration of the forty-five-day period.

2767 Sec. 44. (NEW) (a) Except as otherwise provided in subsection (g), a  
2768 perfected purchase-money security interest in goods other than  
2769 inventory or livestock has priority over a conflicting security interest in  
2770 the same goods, and, except as otherwise provided in section 47 of this  
2771 act, a perfected security interest in its identifiable proceeds also has  
2772 priority, if the purchase-money security interest is perfected when the  
2773 debtor receives possession of the collateral or within twenty days  
2774 thereafter.

2775 (b) Subject to subsection (c) and except as otherwise provided in  
2776 subsection (g), a perfected purchase-money security interest in  
2777 inventory has priority over a conflicting security interest in the same  
2778 inventory, has priority over a conflicting security interest in chattel  
2779 paper or an instrument constituting proceeds of the inventory and in  
2780 proceeds of the chattel paper, if so provided in section 50 of this act,  
2781 and, except as otherwise provided in section 47 of this act, also has  
2782 priority in identifiable cash proceeds of the inventory to the extent the  
2783 identifiable cash proceeds are received on or before the delivery of the  
2784 inventory to a buyer, if:

2785 (1) The purchase-money security interest is perfected when the  
2786 debtor receives possession of the inventory;

2787 (2) The purchase-money secured party sends an authenticated  
2788 notification to the holder of the conflicting security interest;

2789 (3) The holder of the conflicting security interest receives the  
2790 notification within five years before the debtor receives possession of  
2791 the inventory; and

2792 (4) The notification states that the person sending the notification  
2793 has or expects to acquire a purchase-money security interest in  
2794 inventory of the debtor and describes the inventory.

2795 (c) Subdivisions (2) to (4), inclusive, of subsection (b) apply only if  
2796 the holder of the conflicting security interest had filed a financing  
2797 statement covering the same types of inventory:

2798 (1) If the purchase-money security interest is perfected by filing,  
2799 before the date of the filing; or

2800 (2) If the purchase-money security interest is temporarily perfected  
2801 without filing or possession under subsection (f) of section 42a-9-312 of  
2802 the general statutes, as amended by this act, before the beginning of  
2803 the twenty-day period thereunder.

2804 (d) Subject to subsection (e) and except as otherwise provided in  
2805 subsection (g), a perfected purchase-money security interest in  
2806 livestock that are farm products has priority over a conflicting security  
2807 interest in the same livestock, and, except as otherwise provided in  
2808 section 47 of this act, a perfected security interest in their identifiable  
2809 proceeds and identifiable products in their unmanufactured states also  
2810 has priority, if:

2811 (1) The purchase-money security interest is perfected when the  
2812 debtor receives possession of the livestock;

2813       (2) The purchase-money secured party sends an authenticated  
2814 notification to the holder of the conflicting security interest;

2815       (3) The holder of the conflicting security interest receives the  
2816 notification within six months before the debtor receives possession of  
2817 the livestock; and

2818       (4) The notification states that the person sending the notification  
2819 has or expects to acquire a purchase-money security interest in  
2820 livestock of the debtor and describes the livestock.

2821       (e) Subdivisions (2) to (4), inclusive, of subsection (d) apply only if  
2822 the holder of the conflicting security interest had filed a financing  
2823 statement covering the same types of livestock:

2824       (1) If the purchase-money security interest is perfected by filing,  
2825 before the date of the filing; or

2826       (2) If the purchase-money security interest is temporarily perfected  
2827 without filing or possession under subsection (f) of section 42a-9-312 of  
2828 the general statutes, as amended by this act, before the beginning of  
2829 the twenty-day period thereunder.

2830       (f) Except as otherwise provided in subsection (g), a perfected  
2831 purchase-money security interest in software has priority over a  
2832 conflicting security interest in the same collateral, and, except as  
2833 otherwise provided in section 47 of this act, a perfected security  
2834 interest in its identifiable proceeds also has priority, to the extent that  
2835 the purchase-money security interest in the goods in which the  
2836 software was acquired for use has priority in the goods and proceeds  
2837 of the goods under this section.

2838       (g) If more than one security interest qualifies for priority in the  
2839 same collateral under subsection (a), (b), (d) or (f):

2840       (1) A security interest securing an obligation incurred as all or part

2841 of the price of the collateral has priority over a security interest  
2842 securing an obligation incurred for value given to enable the debtor to  
2843 acquire rights in or the use of collateral; and

2844 (2) In all other cases, subsection (a) of section 42 of this act applies to  
2845 the qualifying security interests.

2846 Sec. 45. (NEW) (a) Except as otherwise provided in subsection (b), a  
2847 security interest created by a debtor is subordinate to a security  
2848 interest in the same collateral created by another person if:

2849 (1) The debtor acquired the collateral subject to the security interest  
2850 created by the other person;

2851 (2) The security interest created by the other person was perfected  
2852 when the debtor acquired the collateral; and

2853 (3) There is no period thereafter when the security interest is  
2854 unperfected.

2855 (b) Subsection (a) subordinates a security interest only if the security  
2856 interest:

2857 (1) Otherwise would have priority solely under subsection (a) of  
2858 section 42 of this act or section 44 of this act; or

2859 (2) Arose solely under subdivision (3) of section 42a-2-711 of the  
2860 general statutes.

2861 Sec. 46. (NEW) (a) Subject to subsection (b), a security interest  
2862 created by a new debtor which is perfected by a filed financing  
2863 statement that is effective solely under section 79 of this act in  
2864 collateral in which a new debtor has or acquires rights is subordinate  
2865 to a security interest in the same collateral which is perfected other  
2866 than by a filed financing statement that is effective solely under section  
2867 79 of this act.

2868 (b) The other provisions of sections 42a-9-301 to 42a-9-318, inclusive,  
2869 of the general statutes, as amended by this act, and sections 39 to 62,  
2870 inclusive, of this act, determine the priority among conflicting security  
2871 interests in the same collateral perfected by filed financing statements  
2872 that are effective solely under section 79 of this act. However, if the  
2873 security agreements to which a new debtor became bound as debtor  
2874 were not entered into by the same original debtor, the conflicting  
2875 security interests rank according to priority in time of the new debtor's  
2876 having become bound.

2877 Sec. 47. (NEW) The following rules govern priority among  
2878 conflicting security interests in the same deposit account:

2879 (1) A security interest held by a secured party having control of the  
2880 deposit account under section 42a-9-104 of the general statutes, as  
2881 amended by this act, has priority over a conflicting security interest  
2882 held by a secured party that does not have control.

2883 (2) Except as otherwise provided in subdivisions (3) and (4), security  
2884 interests perfected by control under section 42a-9-314 of the general  
2885 statutes, as amended by this act, rank according to priority in time of  
2886 obtaining control.

2887 (3) Except as otherwise provided in subdivision (4), a security  
2888 interest held by the bank with which the deposit account is maintained  
2889 has priority over a conflicting security interest held by another secured  
2890 party.

2891 (4) A security interest perfected by control under subdivision (3) of  
2892 subsection (a) of section 42a-9-104 of the general statutes, as amended  
2893 by this act, has priority over a security interest held by the bank with  
2894 which the deposit account is maintained.

2895 Sec. 48. (NEW) The following rules govern priority among  
2896 conflicting security interests in the same investment property:



2897 (1) A security interest held by a secured party having control of  
2898 investment property under section 42a-9-106 of the general statutes, as  
2899 amended by this act, has priority over a security interest held by a  
2900 secured party that does not have control of the investment property.

2901 (2) Except as otherwise provided in subdivisions (3) and (4),  
2902 conflicting security interests held by secured parties each of which has  
2903 control under section 42a-9-106 of the general statutes, as amended by  
2904 this act, rank according to priority in time of:

2905 (A) If the collateral is a security, obtaining control;

2906 (B) If the collateral is a security entitlement carried in a securities  
2907 account; and:

2908 (i) If the secured party obtained control under subdivision (1) of  
2909 subsection (d) of section 42a-8-106 of the general statutes, as amended  
2910 by this act, the secured party's becoming the person for which the  
2911 securities account is maintained;

2912 (ii) If the secured party obtained control under subdivision (2) of  
2913 subsection (d) of section 42a-8-106 of the general statutes, as amended  
2914 by this act, the securities intermediary's agreement to comply with the  
2915 secured party's entitlement orders with respect to security entitlements  
2916 carried or to be carried in the securities account; or

2917 (iii) If the secured party obtained control through another person  
2918 under subdivision (3) of subsection (d) of section 42a-8-106 of the  
2919 general statutes, as amended by this act, the time on which priority  
2920 would be based under this subdivision if the other person were the  
2921 secured party; or

2922 (C) If the collateral is a commodity contract carried with a  
2923 commodity intermediary, the satisfaction of the requirement for  
2924 control specified in subdivision (2) of subsection (b) of section 42a-9-  
2925 106 of the general statutes, as amended by this act, with respect to

2926 commodity contracts carried or to be carried with the commodity  
2927 intermediary.

2928 (3) A security interest held by a securities intermediary in a security  
2929 entitlement or a securities account maintained with the securities  
2930 intermediary has priority over a conflicting security interest held by  
2931 another secured party.

2932 (4) A security interest held by a commodity intermediary in a  
2933 commodity contract or a commodity account maintained with the  
2934 commodity intermediary has priority over a conflicting security  
2935 interest held by another secured party.

2936 (5) A security interest in a certificated security in registered form  
2937 which is perfected by taking delivery under subsection (a) of section  
2938 42a-9-313 of the general statutes, as amended by this act, and not by  
2939 control under section 42a-9-314 of the general statutes, as amended by  
2940 this act, has priority over a conflicting security interest perfected by a  
2941 method other than control.

2942 (6) Conflicting security interests created by a broker, securities  
2943 intermediary or commodity intermediary which are perfected without  
2944 control under section 42a-9-106 of the general statutes, as amended by  
2945 this act, rank equally.

2946 (7) In all other cases, priority among conflicting security interests in  
2947 investment property is governed by sections 42 and 43 of this act.

2948 Sec. 49. (NEW) The following rules govern priority among  
2949 conflicting security interests in the same letter-of-credit right:

2950 (1) A security interest held by a secured party having control of the  
2951 letter-of-credit right under section 42a-9-107 of the general statutes, as  
2952 amended by this act, has priority to the extent of its control over a  
2953 conflicting security interest held by a secured party that does not have  
2954 control.

2955       (2) Security interests perfected by control under section 42a-9-314 of  
2956 the general statutes, as amended by this act, rank according to priority  
2957 in time of obtaining control.

2958       Sec. 50. (NEW) (a) A purchaser of chattel paper has priority over a  
2959 security interest in the chattel paper which is claimed merely as  
2960 proceeds of inventory subject to a security interest if:

2961       (1) In good faith and in the ordinary course of the purchaser's  
2962 business, the purchaser gives new value and takes possession of the  
2963 chattel paper or obtains control of the chattel paper under section 42a-  
2964 9-105 of the general statutes, as amended by this act; and

2965       (2) The chattel paper does not indicate that it has been assigned to  
2966 an identified assignee other than the purchaser.

2967       (b) A purchaser of chattel paper has priority over a security interest  
2968 in the chattel paper which is claimed other than merely as proceeds of  
2969 inventory subject to a security interest if the purchaser gives new value  
2970 and takes possession of the chattel paper or obtains control of the  
2971 chattel paper under section 42a-9-105 of the general statutes, as  
2972 amended by this act, in good faith, in the ordinary course of the  
2973 purchaser's business, and without knowledge that the purchase  
2974 violates the rights of the secured party.

2975       (c) Except as otherwise provided in section 47 of this act, a  
2976 purchaser having priority in chattel paper under subsection (a) or (b)  
2977 also has priority in proceeds of the chattel paper to the extent that:

2978       (1) Section 42 of this act provides for priority in the proceeds; or

2979       (2) The proceeds consist of the specific goods covered by the chattel  
2980 paper or cash proceeds of the specific goods, even if the purchaser's  
2981 security interest in the proceeds is unperfected.

2982       (d) Except as otherwise provided in subsection (a) of section 51 of

2983 this act, a purchaser of an instrument has priority over a security  
2984 interest in the instrument perfected by a method other than possession  
2985 if the purchaser gives value and takes possession of the instrument in  
2986 good faith and without knowledge that the purchase violates the rights  
2987 of the secured party.

2988 (e) For purposes of subsections (a) and (b), the holder of a purchase-  
2989 money security interest in inventory gives new value for chattel paper  
2990 constituting proceeds of the inventory.

2991 (f) For purposes of subsections (b) and (d), if chattel paper or an  
2992 instrument indicates that it has been assigned to an identified secured  
2993 party other than the purchaser, a purchaser of the chattel paper or  
2994 instrument has knowledge that the purchase violates the rights of the  
2995 secured party.

2996 Sec. 51. (NEW) (a) This article does not limit the rights of a holder in  
2997 due course of a negotiable instrument, a holder to which a negotiable  
2998 document of title has been duly negotiated or a protected purchaser of  
2999 a security. These holders or purchasers take priority over an earlier  
3000 security interest, even if perfected, to the extent provided in articles 3,  
3001 7 and 8.

3002 (b) This article does not limit the rights of or impose liability on a  
3003 person to the extent that the person is protected against the assertion of  
3004 a claim under article 8.

3005 (c) Filing under this article does not constitute notice of a claim or  
3006 defense to the holders, or purchasers, or persons described in  
3007 subsections (a) and (b).

3008 Sec. 52. (NEW) (a) A transferee of money takes the money free of a  
3009 security interest unless the transferee acts in collusion with the debtor  
3010 in violating the rights of the secured party.

3011 (b) A transferee of funds from a deposit account takes the funds free

3012 of a security interest in the deposit account unless the transferee acts in  
3013 collusion with the debtor in violating the rights of the secured party.

3014 Sec. 53. (NEW) (a) In this section, "possessory lien" means an  
3015 interest, other than a security interest or an agricultural lien:

3016 (1) Which secures payment or performance of an obligation for  
3017 services or materials furnished with respect to goods by a person in the  
3018 ordinary course of the person's business;

3019 (2) Which is created by statute or rule of law in favor of the person;  
3020 and

3021 (3) Whose effectiveness depends on the person's possession of the  
3022 goods.

3023 (b) A possessory lien on goods has priority over a security interest  
3024 in the goods unless the lien is created by a statute that expressly  
3025 provides otherwise.

3026 Sec. 54. (NEW) (a) A security interest under this article may be  
3027 created in goods that are fixtures or may continue in goods that  
3028 become fixtures. A security interest does not exist under this article in  
3029 ordinary building materials incorporated into an improvement on  
3030 land.

3031 (b) This article does not prevent creation of an encumbrance upon  
3032 fixtures under real property law.

3033 (c) In cases not governed by subsections (d) to (h), inclusive, a  
3034 security interest in fixtures is subordinate to a conflicting interest of an  
3035 encumbrancer or owner of the related real property other than the  
3036 debtor.

3037 (d) Except as otherwise provided in subsection (h), a perfected  
3038 security interest in fixtures has priority over a conflicting interest of an

3039 encumbrancer or owner of the real property if the debtor has an  
3040 interest of record in or is in possession of the real property and:

3041 (1) The security interest is a purchase-money security interest;

3042 (2) The interest of the encumbrancer or owner arises before the  
3043 goods become fixtures; and

3044 (3) The security interest is perfected by a fixture filing before the  
3045 goods become fixtures or within twenty days thereafter.

3046 (e) A perfected security interest in fixtures has priority over a  
3047 conflicting interest of an encumbrancer or owner of the real property  
3048 if:

3049 (1) The debtor has an interest of record in the real property or is in  
3050 possession of the real property and the security interest:

3051 (A) Is perfected by a fixture filing before the interest of the  
3052 encumbrancer or owner is of record; and

3053 (B) Has priority over any conflicting interest of a predecessor in title  
3054 of the encumbrancer or owner;

3055 (2) Before the goods become fixtures, the security interest is  
3056 perfected by any method permitted by this article and the fixtures are  
3057 readily removable:

3058 (A) Factory or office machines;

3059 (B) Equipment that is not primarily used or leased for use in the  
3060 operation of the real property; or

3061 (C) Replacements of domestic appliances that are consumer goods;

3062 (3) The conflicting interest is a lien on the real property obtained by  
3063 legal or equitable proceedings after the security interest was perfected

3064 by any method permitted by this article; or

3065 (4) The security interest is:

3066 (A) Created in a manufactured home in a manufactured-home  
3067 transaction; and

3068 (B) Perfected pursuant to a statute described in subdivision (2) of  
3069 subsection (a) of section 42a-9-311 of the general statutes, as amended  
3070 by this act.

3071 (f) A security interest in fixtures, whether or not perfected, has  
3072 priority over a conflicting interest of an encumbrancer or owner of the  
3073 real property if:

3074 (1) The encumbrancer or owner has, in an authenticated record,  
3075 consented to the security interest or disclaimed an interest in the goods  
3076 as fixtures; or

3077 (2) The debtor has a right to remove the goods as against the  
3078 encumbrancer or owner.

3079 (g) The priority of the security interest under subdivision (2) of  
3080 subsection (f) continues for a reasonable time if the debtor's right to  
3081 remove the goods as against the encumbrancer or owner terminates.

3082 (h) A mortgage is a construction mortgage to the extent that it  
3083 secures an obligation incurred for the construction of an improvement  
3084 on land, including the acquisition cost of the land, if a recorded record  
3085 of the mortgage so indicates. Except as otherwise provided in  
3086 subsections (e) and (f), a security interest in fixtures is subordinate to a  
3087 construction mortgage if a record of the mortgage is recorded before  
3088 the goods become fixtures and the goods become fixtures before the  
3089 completion of the construction. A mortgage has this priority to the  
3090 same extent as a construction mortgage to the extent that it is given to  
3091 refinance a construction mortgage.

3092 (i) A perfected security interest in crops growing on real property  
3093 has priority over a conflicting interest of an encumbrancer or owner of  
3094 the real property if the debtor has an interest of record in or is in  
3095 possession of the real property.

3096 Sec. 55. (NEW) (a) A security interest may be created in an accession  
3097 and continues in collateral that becomes an accession.

3098 (b) If a security interest is perfected when the collateral becomes an  
3099 accession, the security interest remains perfected in the collateral.

3100 (c) Except as otherwise provided in subsection (d), the other  
3101 provisions of sections 42a-9-301 to 42a-9-318, inclusive, of the general  
3102 statutes, as amended by this act, and sections 39 to 62, inclusive, of this  
3103 act determine the priority of a security interest in an accession.

3104 (d) A security interest in an accession is subordinate to a security  
3105 interest in the whole which is perfected by compliance with the  
3106 requirements of a certificate-of-title statute under subsection (b) of  
3107 section 42a-9-311 of the general statutes, as amended by this act.

3108 (e) After default, subject to sections 98 to 125, inclusive, of this act, a  
3109 secured party may remove an accession from other goods if the  
3110 security interest in the accession has priority over the claims of every  
3111 person having an interest in the whole.

3112 (f) A secured party that removes an accession from other goods  
3113 under subsection (e) shall promptly reimburse any holder of a security  
3114 interest or other lien on, or owner of, the whole or of the other goods,  
3115 for the cost of repair of any physical injury to the whole or the other  
3116 goods. The secured party need not reimburse the holder or owner for  
3117 any diminution in value of the whole or the other goods caused by the  
3118 absence of the accession removed or by any necessity for replacing it.  
3119 A person entitled to reimbursement, other than the debtor, may refuse  
3120 permission to remove until the secured party gives adequate assurance



3121 for the performance of the obligation to reimburse.

3122       Sec. 56. (NEW) (a) In this section, "commingled goods" means goods  
3123 that are physically united with other goods in such a manner that their  
3124 identity is lost in a product or mass.

3125       (b) A security interest does not exist in commingled goods as such.  
3126 However, a security interest may attach to a product or mass that  
3127 results when goods become commingled goods.

3128       (c) If collateral becomes commingled goods, a security interest  
3129 attaches to the product or mass.

3130       (d) If a security interest in collateral is perfected before the collateral  
3131 becomes commingled goods, the security interest that attaches to the  
3132 product or mass under subsection (c) is perfected.

3133       (e) Except as otherwise provided in subsection (f), the other  
3134 provisions of sections 42a-9-301 to 42a-9-318, inclusive, of the general  
3135 statutes, as amended by this act, and sections 39 to 62, inclusive, of this  
3136 act, determine the priority of a security interest that attaches to the  
3137 product or mass under subsection (c).

3138       (f) If more than one security interest attaches to the product or mass  
3139 under subsection (c), the following rules determine priority:

3140       (1) A security interest that is perfected under subsection (d) has  
3141 priority over a security interest that is unperfected at the time the  
3142 collateral becomes commingled goods.

3143       (2) If more than one security interest is perfected under subsection  
3144 (d), the security interests rank equally in proportion to the value of the  
3145 collateral at the time it became commingled goods.

3146       Sec. 57. (NEW) If, while a security interest in goods is perfected by  
3147 any method under the law of another jurisdiction, this state issues a

3148 certificate of title that does not show that the goods are subject to the  
3149 security interest or contain a statement that they may be subject to  
3150 security interests not shown on the certificate:

3151 (1) A buyer of the goods, other than a person in the business of  
3152 selling goods of that kind, takes free of the security interest if the buyer  
3153 gives value and receives delivery of the goods after issuance of the  
3154 certificate and without knowledge of the security interest; and

3155 (2) The security interest is subordinate to a conflicting security  
3156 interest in the goods that attaches, and is perfected under subsection  
3157 (b) of section 42a-9-311 of the general statutes, as amended by this act,  
3158 after issuance of the certificate and without the conflicting secured  
3159 party's knowledge of the security interest.

3160 Sec. 58. (NEW) If a security interest or agricultural lien is perfected  
3161 by a filed financing statement providing information described in  
3162 subdivision (5) of subsection (b) of section 87 of this act which is  
3163 incorrect at the time the financing statement is filed:

3164 (1) The security interest or agricultural lien is subordinate to a  
3165 conflicting perfected security interest in the collateral to the extent that  
3166 the holder of the conflicting security interest gives value in reasonable  
3167 reliance upon the incorrect information; and

3168 (2) A purchaser, other than a secured party, of the collateral takes  
3169 free of the security interest or agricultural lien to the extent that, in  
3170 reasonable reliance upon the incorrect information, the purchaser gives  
3171 value and, in the case of chattel paper, documents, goods, instruments  
3172 or a security certificate, receives delivery of the collateral.

3173 Sec. 59. (NEW) This article does not preclude subordination by  
3174 agreement by a person entitled to priority.

3175 Sec. 60. (NEW) (a) Except as otherwise provided in subsection (c), a  
3176 bank with which a deposit account is maintained may exercise any

3177 right of recoupment or set-off against a secured party that holds a  
3178 security interest in the deposit account.

3179 (b) Except as otherwise provided in subsection (c), the application of  
3180 this article to a security interest in a deposit account does not affect a  
3181 right of recoupment or set-off of the secured party as to a deposit  
3182 account maintained with the secured party.

3183 (c) The exercise by a bank of a set-off against a deposit account is  
3184 ineffective against a secured party that holds a security interest in the  
3185 deposit account which is perfected by control under subdivision (3) of  
3186 subsection (a) of section 42a-9-104 of the general statutes, as amended  
3187 by this act, if the set-off is based on a claim against the debtor.

3188 Sec. 61. (NEW) Except as otherwise provided in subsection (c) of  
3189 section 60 of this act, and unless the bank otherwise agrees in an  
3190 authenticated record, a bank's rights and duties with respect to a  
3191 deposit account maintained with the bank are not terminated,  
3192 suspended, or modified by:

3193 (1) The creation, attachment or perfection of a security interest in the  
3194 deposit account;

3195 (2) The bank's knowledge of the security interest; or

3196 (3) The bank's receipt of instructions from the secured party.

3197 Sec. 62. (NEW) This article does not require a bank to enter into an  
3198 agreement of the kind described in subdivision (2) of subsection (a) of  
3199 section 42a-9-104 of the general statutes, as amended by this act, even  
3200 if its customer so requests or directs. A bank that has entered into such  
3201 an agreement is not required to confirm the existence of the agreement  
3202 to another person unless requested to do so by its customer.

3203 Sec. 63. Section 42a-9-401 of the general statutes is repealed and the  
3204 following is substituted in lieu thereof:

3205 [(1) The proper place to file in order to perfect a security interest is  
3206 as follows: (a) When the collateral is timber to be cut or is minerals or  
3207 the like, including oil and gas, or accounts subject to subsection (5) of  
3208 section 42a-9-103a, or when the financing statement is filed as a fixture  
3209 filing and the collateral is goods which are or are to become fixtures,  
3210 then in the office where a mortgage on the real estate would be filed or  
3211 recorded; (b) in all other cases, in the office of the Secretary of the State.

3212 (2) A filing which is made in good faith in an improper place or not  
3213 in all of the places required by this section is nevertheless effective  
3214 with regard to any collateral as to which the filing complied with the  
3215 requirements of this article and is also effective with regard to  
3216 collateral covered by the financing statement against any person who  
3217 has knowledge of the contents of such financing statement.

3218 (3) A filing which is made in the proper place in this state continues  
3219 effective even though the debtor's residence or place of business or the  
3220 location of the collateral or its use, whichever controlled the original  
3221 filing, is thereafter changed.

3222 (4) The rules stated in section 42a-9-103a determine whether filing is  
3223 necessary in this state.

3224 (5) Notwithstanding subsections (1) to (4) inclusive, of this section,  
3225 and subject to subsection (3) of section 42a-9-302, the proper place to  
3226 file in order to perfect a security interest in collateral, including  
3227 fixtures, of a transmitting utility is the office of the Secretary of the  
3228 State. This filing constitutes a fixture filing as to the collateral  
3229 described therein which is or is to become fixtures.]

3230 (a) Except as otherwise provided in subsection (b) and sections 42a-  
3231 9-406 to 42a-9-409, inclusive, as amended by this act, whether a  
3232 debtor's rights in collateral may be voluntarily or involuntarily  
3233 transferred is governed by law other than this article.

3234     (b) An agreement between the debtor and secured party which  
3235     prohibits a transfer of the debtor's rights in collateral or makes the  
3236     transfer a default does not prevent the transfer from taking effect.

3237     Sec. 64. Section 42a-9-402 of the general statutes is repealed and the  
3238     following is substituted in lieu thereof:

3239     [(1) A financing statement is sufficient if it gives the names of the  
3240     debtor and the secured party, is signed by the debtor, gives an address  
3241     of the secured party from which information concerning the security  
3242     interest may be obtained, gives a mailing address of the debtor and  
3243     contains a statement indicating the types, or describing the items, of  
3244     collateral. A financing statement may be filed before a security  
3245     agreement is made or a security interest otherwise attaches. When the  
3246     financing statement covers crops growing or to be grown, the  
3247     statement must also contain a general description of the real estate  
3248     concerned. When the financing statement covers timber to be cut or  
3249     covers minerals or the like, including oil and gas, or accounts subject to  
3250     subsection (5) of section 42a-9-103a, or when the financing statement is  
3251     filed as a fixture filing and the collateral is goods which are or are to  
3252     become fixtures, the statement must also comply with subsection (5) of  
3253     this section. A copy of the security agreement is sufficient as a  
3254     financing statement if it contains the above information and is signed  
3255     by the debtor. A carbon, photographic or other reproduction of a  
3256     security agreement or a financing statement is sufficient as a financing  
3257     statement if the security agreement so provides or if the original has  
3258     been filed in this state.

3259     (2) A financing statement which otherwise complies with subsection  
3260     (1) of this section is sufficient when it is signed by the secured party  
3261     instead of the debtor if it is filed to perfect a security interest in (a)  
3262     collateral already subject to a security interest in another jurisdiction  
3263     when it is brought into this state, or when the debtor's location is  
3264     changed to this state. Such a financing statement must state that the

3265 collateral was brought into this state or that the debtor's location was  
3266 changed to this state under such circumstances; or (b) proceeds under  
3267 section 42a-9-306 if the security interest in the original collateral was  
3268 perfected. Such a financing statement must describe the original  
3269 collateral; or (c) collateral as to which the filing has lapsed; or (d)  
3270 collateral acquired after a change of name, identity or corporate  
3271 structure of the debtor.

3272 (3) A form substantially as follows is sufficient to comply with  
3273 subsection (1) of this section.

3274 Name of debtor (or assignor) ....

3275 Address ....

3276 Name of secured party (or assignee) ....

3277 Address ....

3278 1. This financing statement covers the following types (or items) of  
3279 property: (Describe) ....

3280 2. (If collateral is crops) The above described crops are growing or  
3281 are to be grown on: (Describe real estate) ....

3282 3. (If applicable) The above goods are to become fixtures on  
3283 (Describe real estate) .... and this financing statement is to be filed for  
3284 record in the real estate records. (If the debtor does not have an interest  
3285 of record) The name of a record owner is ....

3286 4. (If products of collateral are claimed) Products of the collateral are  
3287 also covered.

3288 USE WHICHEVER IS APPLICABLE

3289 .... Signature of Debtor (or Assignor)

3290 .... Signature of Secured Party (or Assignee)

3291 (4) A financing statement may be amended by filing a writing  
3292 signed by both the debtor and the secured party. An amendment does  
3293 not extend the period of effectiveness of a financing statement. If any  
3294 amendment adds collateral, it is effective as to the added collateral  
3295 only from the filing date of the amendment. In this article, unless the  
3296 context otherwise requires, the term "financing statement" means the  
3297 original financing statement and any amendments.

3298 (5) A financing statement covering timber to be cut or covering  
3299 minerals or the like, including oil and gas, or accounts subject to  
3300 subsection (5) of section 42a-9-103a, or a financing statement filed as a  
3301 fixture filing where the debtor is not a transmitting utility, shall show  
3302 that it covers this type of collateral, shall recite that it is to be filed for  
3303 record in the real estate records, and the financing statement shall  
3304 contain a description of the real estate sufficient if it were contained in  
3305 a mortgage of the real estate under the law of this state. If the debtor  
3306 does not have an interest of record in the real estate, the financing  
3307 statement shall show the name of a record owner.

3308 (6) A mortgage is effective as a financing statement filed as a fixture  
3309 filing from the date of its recording if (a) the goods are described in the  
3310 mortgage by item or type, (b) the goods are or are to become fixtures  
3311 related to the real estate described in the mortgage, (c) the mortgage  
3312 complies with the requirements for a financing statement in this  
3313 section other than a recital that it is to be filed in the real estate records,  
3314 and (d) the mortgage is duly recorded. No fee with reference to the  
3315 financing statement is required other than the regular recording and  
3316 satisfaction fees with respect to the mortgage.

3317 (7) A financing statement sufficiently shows the name of the debtor  
3318 if it gives the individual, partnership or corporate name of the debtor,  
3319 whether or not it adds other trade names or the names of partners.  
3320 Where the debtor so changes his name or in the case of an

3321 organization, its name, identity or corporate structure that a filed  
3322 financing statement becomes seriously misleading, the filing is not  
3323 effective to perfect a security interest in collateral acquired by the  
3324 debtor more than four months after the change, unless a new  
3325 appropriate financing statement is filed before the expiration of that  
3326 time. A filed financing statement remains effective with respect to  
3327 collateral transferred by the debtor even though the secured party  
3328 knows of or consents to the transfer.

3329 (8) A financing statement substantially complying with the  
3330 requirements of this section is effective even though it contains minor  
3331 errors which are not seriously misleading.]

3332 The existence of a security interest, agricultural lien or authority  
3333 given to a debtor to dispose of or use collateral, without more, does not  
3334 subject a secured party to liability in contract or tort for the debtor's  
3335 acts or omissions.

3336 Sec. 65. Section 42a-9-403 of the general statutes is repealed and the  
3337 following is substituted in lieu thereof:

3338 [(1) Presentation for filing of a financing statement and tender of the  
3339 filing fee, or where use by a filing party of a system for the electronic  
3340 receipt, indexing and storage of information required for the filing of  
3341 financing statements or notices of federal, state or municipal tax liens  
3342 has been approved in writing by the Secretary of the State, the  
3343 electronic transmission by such filing party of such information to, and  
3344 its receipt by, the filing officer, or acceptance of the statement by the  
3345 filing officer, or by the town clerk if the financing statement covers  
3346 fixtures, constitutes filing under this article. As used in this part, "filing  
3347 officer" means a filing officer in the office of the Secretary of the State  
3348 and excludes a town clerk.

3349 (2) Except as provided in subsection (6) of this section, a filed  
3350 financing statement is effective for a period of five years from the date



3351 of filing. The effectiveness of a filed financing statement lapses on the  
3352 expiration of the five-year period unless a continuation statement is  
3353 filed prior to the lapse. If a security interest perfected by filing exists at  
3354 the time insolvency proceedings are commenced by or against the  
3355 debtor, the security interest remains perfected until termination of the  
3356 insolvency proceedings and thereafter for a period of sixty days or  
3357 until expiration of the five-year period, whichever occurs later. Upon  
3358 lapse the security interest becomes unperfected, unless it is perfected  
3359 without filing. If the security interest becomes unperfected upon lapse,  
3360 it is deemed to have been unperfected as against a person who became  
3361 a purchaser or lien creditor before lapse.

3362 (3) A continuation statement may be filed by the secured party  
3363 within six months prior to the expiration of the five-year period  
3364 specified in subsection (2) of this section. Any such continuation  
3365 statement must be signed by the secured party, identify the original  
3366 statement by file number and state that the original statement is still  
3367 effective. A continuation statement signed by a person other than the  
3368 secured party of record must be accompanied by a separate written  
3369 statement of assignment signed by the secured party of record and  
3370 complying with subsection (2) of section 42a-9-405, including payment  
3371 of the required fee. Upon timely filing of the continuation statement,  
3372 the effectiveness of the original statement is continued for five years  
3373 after the last date to which the filing was effective whereupon it lapses  
3374 in the same manner as provided in subsection (2) of this section unless  
3375 another continuation statement is filed prior to such lapse. Succeeding  
3376 continuation statements may be filed in the same manner to continue  
3377 the effectiveness of the original statement.

3378 (4) Except as provided in subsection (7) a filing officer shall mark  
3379 each statement with a file number and with the date and hour of filing,  
3380 or where the information that would otherwise be required in a  
3381 financing statement is stored in an electronic system approved by the  
3382 Secretary of the State, such system shall incorporate in the electronic

3383 record of each such statement, a file number and the date and hour of  
3384 the receipt of the electronic record of each such statement. The filing  
3385 officer shall hold the statement or a microfilm or other photographic or  
3386 electronic reproduction thereof for public inspection. The secretary  
3387 shall charge a fee for inspection of such statements as follows: For  
3388 inspection of statements filed in the alphabetical index, regardless of  
3389 the number of statements, ten dollars for each debtor; for inspection of  
3390 each fifteen statements or less filed in the numerical index, ten dollars.  
3391 The filing officer shall index the statements according to the name of  
3392 the debtor and shall note in the index the file number and the address  
3393 of the debtor given in the statement. The index may be made up of the  
3394 statements themselves, copies thereof, separate cards or otherwise.

3395 (5) The Secretary of the State shall charge and collect the following  
3396 fees: (a) The uniform fee for filing and indexing an original financing  
3397 statement shall be twenty-five dollars. The secured party shall set forth  
3398 on such financing statement each debtor name to be indexed. The  
3399 secured party may at his option show a trade name for any person; (b)  
3400 for filing and indexing a termination statement, twenty-five dollars; (c)  
3401 for filing and indexing a separate written statement of assignment,  
3402 twenty-five dollars; (d) for filing and indexing an amendment, twenty-  
3403 five dollars; (e) for filing and noting a statement of release, twenty-five  
3404 dollars; (f) for filing and indexing a continuation statement, twenty-  
3405 five dollars. No fee shall be charged (A) to the state when the original  
3406 statement, continuation statement, amendment, statement of  
3407 assignment, statement of release or termination statement is filed by or  
3408 at the request of the Attorney General or an assistant attorney general  
3409 or by a duly authorized official of the state or any of its agencies,  
3410 boards or commissions acting in his official capacity, or (B) to a  
3411 municipality when the original statement, continuation statement,  
3412 amendment, statement of assignment, statement of release or  
3413 termination statement is filed by the tax collector or other municipal  
3414 officer of such municipality pursuant to the provisions of sections 12-  
3415 195a to 12-195g, inclusive, or (C) for any filing accomplished solely by

3416 electronic means, and without the physical submission of any  
3417 document, instrument, or paper, in accordance with a plan approved  
3418 by the Secretary of the State.

3419 (6) If the debtor is a transmitting utility and a filed financing  
3420 statement so states, it is effective until a termination statement is filed.  
3421 A real estate mortgage which is effective as a fixture filing under  
3422 subsection (6) of section 42a-9-402 remains effective as a fixture filing  
3423 until the mortgage is released or satisfied of record or its effectiveness  
3424 otherwise terminates as to the real estate.

3425 (7) When a financing statement covers timber to be cut or covers  
3426 minerals or the like, including oil and gas, or accounts subject to  
3427 subsection (5) of section 42a-9-103a or is filed as a fixture filing, it shall  
3428 be filed for record and the filing officer shall index it under the names  
3429 of the debtor and any owner of record shown on the financing  
3430 statement in the same fashion as if they were the mortgagors in a  
3431 mortgage of the real estate described, and under the name of the  
3432 secured party as if he were the mortgagee thereunder.]

3433 (a) In this section, "value" has the meaning provided in subsection  
3434 (a) of section 42a-3-303.

3435 (b) Except as otherwise provided in this section, an agreement  
3436 between an account debtor and an assignor not to assert against an  
3437 assignee any claim or defense that the account debtor may have  
3438 against the assignor is enforceable by an assignee that takes an  
3439 assignment:

3440 (1) For value;

3441 (2) In good faith;

3442 (3) Without notice of a claim of a property or possessory right to the  
3443 property assigned; and

3444       (4) Without notice of a defense or claim in recoupment of the type  
3445 that may be asserted against a person entitled to enforce a negotiable  
3446 instrument under subsection (a) of section 42a-3-305.

3447       (c) Subsection (b) does not apply to defenses of a type that may be  
3448 asserted against a holder in due course of a negotiable instrument  
3449 under subsection (b) of section 42a-3-305.

3450       (d) In a consumer transaction, if a record evidences the account  
3451 debtor's obligation, law other than this article requires that the record  
3452 include a statement to the effect that the rights of an assignee are  
3453 subject to claims or defenses that the account debtor could assert  
3454 against the original obligee, and the record does not include such a  
3455 statement:

3456       (1) The record has the same effect as if the record included such a  
3457 statement; and

3458       (2) The account debtor may assert against an assignee those claims  
3459 and defenses that would have been available if the record included  
3460 such a statement.

3461       (e) This section is subject to law other than this article which  
3462 establishes a different rule for an account debtor who is an individual  
3463 and who incurred the obligation primarily for personal, family or  
3464 household purposes.

3465       (f) Except as otherwise provided in subsection (d), this section does  
3466 not displace law other than this article which gives effect to an  
3467 agreement by an account debtor not to assert a claim or defense  
3468 against an assignee.

3469       Sec. 66. Section 42a-9-404 of the general statutes is repealed and the  
3470 following is substituted in lieu thereof:

3471       [(1) If a financing statement covering consumer goods is filed on or

3472 after October 1, 1976, then within one month or within ten days  
3473 following written demand by the debtor after there is no outstanding  
3474 secured obligation and no commitment to make advances, incur  
3475 obligations or otherwise give value, the secured party must file, with  
3476 each filing officer with whom the financing statement was filed, a  
3477 termination statement to the effect that he no longer claims a security  
3478 interest under the financing statement, which shall be identified by file  
3479 number. In other cases whenever there is no outstanding secured  
3480 obligation and no commitment to make advances, incur obligations or  
3481 otherwise give value, the secured party must on written demand by  
3482 the debtor send the debtor, for each filing officer with whom the  
3483 financing statement was filed, a termination statement to the effect that  
3484 he no longer claims a security interest under the financing statement,  
3485 which shall be identified by file number. A termination statement  
3486 signed by a person other than the secured party of record must be  
3487 accompanied by a separate written statement of assignment signed by  
3488 the secured party of record complying with subsection (2) of section  
3489 42a-9-405, including payment of the required fee. If the affected  
3490 secured party fails to file such a termination statement as required by  
3491 this subsection, or to send such a termination statement within ten  
3492 days after proper demand therefor he shall be liable to the debtor for  
3493 one hundred dollars, and in addition for any loss caused to the debtor  
3494 by such failure.

3495 (2) On presentation to the filing officer of such a termination  
3496 statement he must note it in the index. If he has received the  
3497 termination statement in duplicate, he shall return one copy of the  
3498 termination statement to the secured party stamped to show the time  
3499 of receipt thereof. If the filing officer has a microfilm or other  
3500 photographic record of the financing statement, and of any related  
3501 continuation statement, statement of assignment and statement of  
3502 release, he may remove the originals from the files at any time after  
3503 receipt of the termination statement, or if he has no such record, he  
3504 may remove them from the files at any time after one year after receipt

3505 of the termination statement. The secured party shall set forth on such  
3506 termination statement each debtor name to be indexed.]

3507 (a) Unless an account debtor has made an enforceable agreement  
3508 not to assert defenses or claims, and subject to subsections (b) to (e),  
3509 inclusive, the rights of an assignee are subject to:

3510 (1) All terms of the agreement between the account debtor and  
3511 assignor and any defense or claim in recoupment arising from the  
3512 transaction that gave rise to the contract; and

3513 (2) Any other defense or claim of the account debtor against the  
3514 assignor which accrues before the account debtor receives a  
3515 notification of the assignment authenticated by the assignor or the  
3516 assignee.

3517 (b) Subject to subsection (c) and except as otherwise provided in  
3518 subsection (d), the claim of an account debtor against an assignor may  
3519 be asserted against an assignee under subsection (a) only to reduce the  
3520 amount the account debtor owes.

3521 (c) This section is subject to law other than this article which  
3522 establishes a different rule for an account debtor who is an individual  
3523 and who incurred the obligation primarily for personal, family or  
3524 household purposes.

3525 (d) In a consumer transaction, if a record evidences the account  
3526 debtor's obligation, law other than this article requires that the record  
3527 include a statement to the effect that the account debtor's recovery  
3528 against an assignee with respect to claims and defenses against the  
3529 assignor may not exceed amounts paid by the account debtor under  
3530 the record, and the record does not include such a statement, the extent  
3531 to which a claim of an account debtor against the assignor may be  
3532 asserted against an assignee is determined as if the record included  
3533 such a statement.

3534       (e) This section does not apply to an assignment of a health-care-  
3535       insurance receivable.

3536       Sec. 67. Section 42a-9-405 of the general statutes is repealed and the  
3537       following is substituted in lieu thereof:

3538       [(1) A financing statement may disclose an assignment of a security  
3539       interest in the collateral described in the financing statement by  
3540       indication in the financing statement of the name and address of the  
3541       assignee or by an assignment itself or a copy thereof on the face or  
3542       back of the statement. On presentation to the filing officer of such a  
3543       financing statement and the required fee, the filing officer shall mark  
3544       the same as provided in subsection (4) of section 42a-9-403.

3545       (2) A secured party may assign of record all or a part of his rights  
3546       under a financing statement by the filing in the place where the  
3547       original financing statement was filed of a separate written statement  
3548       of assignment signed by the secured party of record and setting forth  
3549       the name of the secured party of record and the debtor, the file number  
3550       and the date of filing of the financing statement and the name and  
3551       address of the assignee and containing a description of the collateral  
3552       assigned. A copy of the assignment is sufficient as a separate statement  
3553       if it complies with the preceding sentence. On presentation to the filing  
3554       officer of such a separate statement and the required fee, the filing  
3555       officer shall mark such separate statement with the date and hour of  
3556       the filing. He shall note the assignment on the index of the financing  
3557       statement, or in the case of a fixture filing, or a filing covering timber to  
3558       be cut, or covering minerals or the like, including oil and gas, or  
3559       accounts subject to subsection (5) of section 42a-9-103a, he shall index  
3560       the assignment under the name of the assignor as grantor and under  
3561       the name of the assignee. The secured party shall set forth each debtor  
3562       name against which said separate written statement of assignment is to  
3563       be indexed. Notwithstanding the provisions of this subsection, an  
3564       assignment of record of a security interest in a fixture contained in a

3565 mortgage effective as a fixture filing may be made only by an  
3566 assignment of the mortgage in the manner provided by the law of this  
3567 state other than this article.

3568 (3) After the disclosure or filing of an assignment under this section,  
3569 the assignee is the secured party of record.]

3570 (a) A modification of or substitution for an assigned contract is  
3571 effective against an assignee if made in good faith. The assignee  
3572 acquires corresponding rights under the modified or substituted  
3573 contract. The assignment may provide that the modification or  
3574 substitution is a breach of contract by the assignor. This subsection is  
3575 subject to subsections (b) to (d), inclusive.

3576 (b) Subsection (a) applies to the extent that:

3577 (1) The right to payment or a part thereof under an assigned  
3578 contract has not been fully earned by performance; or

3579 (2) The right to payment or a part thereof has been fully earned by  
3580 performance and the account debtor has not received notification of  
3581 the assignment under subsection (a) of section 42a-9-406, as amended  
3582 by this act.

3583 (c) This section is subject to law other than this article which  
3584 establishes a different rule for an account debtor who is an individual  
3585 and who incurred the obligation primarily for personal, family or  
3586 household purposes.

3587 (d) This section does not apply to an assignment of a health-care-  
3588 insurance receivable.

3589 Sec. 68. Section 42a-9-406 of the general statutes is repealed and the  
3590 following is substituted in lieu thereof:

3591 [A secured party of record may by his signed statement release all



3592 or a part of any collateral described in a filed financing statement. The  
3593 statement of release is sufficient if it contains a description of the  
3594 collateral being released, the name and address of the debtor, the name  
3595 and address of the secured party, and the file number of the financing  
3596 statement. A statement of release signed by a person other than the  
3597 secured party of record shall be accompanied by a separate written  
3598 statement of assignment signed by the secured party of record and  
3599 complying with subsection (2) of section 42a-9-405, including payment  
3600 of the required fee. Upon presentation of such a statement of release  
3601 and required fee to the filing officer he shall mark the statement with  
3602 the hour and date of filing and shall note the same upon the margin of  
3603 the index of the filing of the financing statement. The secured party  
3604 shall set forth on such statement of release each debtor name to be  
3605 indexed.]

3606 (a) Subject to subsections (b) to (i), inclusive, an account debtor on  
3607 an account, chattel paper or a payment intangible may discharge its  
3608 obligation by paying the assignor until, but not after, the account  
3609 debtor receives a notification, authenticated by the assignor or the  
3610 assignee, that the amount due or to become due has been assigned and  
3611 that payment is to be made to the assignee. After receipt of the  
3612 notification, the account debtor may discharge its obligation by paying  
3613 the assignee and may not discharge the obligation by paying the  
3614 assignor. An assignor who receives payment after notification is given  
3615 must return the payment to the account debtor or forward the  
3616 payment to the assignee.

3617 (b) Subject to subsection (h), notification is ineffective under  
3618 subsection (a):

3619 (1) If it does not reasonably identify the rights assigned;

3620 (2) To the extent that an agreement between an account debtor and a  
3621 seller of a payment intangible limits the account debtor's duty to pay a  
3622 person other than the seller and the limitation is effective under law

3623 other than this article; or

3624 (3) At the option of an account debtor, if the notification notifies the  
3625 account debtor to make less than the full amount of any installment or  
3626 other periodic payment to the assignee, even if:

3627 (A) Only a portion of the account, chattel paper or payment  
3628 intangible has been assigned to that assignee;

3629 (B) A portion has been assigned to another assignee; or

3630 (C) The account debtor knows that the assignment to that assignee  
3631 is limited.

3632 (c) Subject to subsection (h), if requested by the account debtor, an  
3633 assignee shall seasonably furnish reasonable proof that the assignment  
3634 has been made. Unless the assignee complies, the account debtor may  
3635 discharge its obligation by paying the assignor, even if the account  
3636 debtor has received a notification under subsection (a).

3637 (d) Except as otherwise provided in subsection (e) and section 42a-9-  
3638 407, as amended by this act, and subject to subsection (h), a term in an  
3639 agreement between an account debtor and an assignor or in a  
3640 promissory note is ineffective to the extent that it:

3641 (1) Prohibits, restricts or requires the consent of the account debtor  
3642 or person obligated on the promissory note to the assignment or  
3643 transfer of, or the creation, attachment, perfection or enforcement of a  
3644 security interest in, the account, chattel paper, payment intangible or  
3645 promissory note; or

3646 (2) Provides that the assignment or transfer or the creation,  
3647 attachment, perfection or enforcement of the security interest may give  
3648 rise to a default, breach, right of recoupment, claim, defense,  
3649 termination, right of termination or remedy under the account, chattel  
3650 paper, payment intangible or promissory note.

3651 (e) Subsection (d) does not apply to the sale of a payment intangible  
3652 or promissory note.

3653 (f) Except as otherwise provided in section 42a-9-407, as amended  
3654 by this act, and subject to subsections (h) and (i), a rule of law, statute  
3655 or regulation that prohibits, restricts or requires the consent of a  
3656 government, governmental body or official or account debtor to the  
3657 assignment or transfer of, or creation of a security interest in, an  
3658 account or chattel paper is ineffective to the extent that the rule of law,  
3659 statute or regulation:

3660 (1) Prohibits, restricts or requires the consent of the government,  
3661 governmental body or official or account debtor to the assignment or  
3662 transfer of, or the creation, attachment, perfection or enforcement of a  
3663 security interest in the account or chattel paper; or

3664 (2) Provides that the assignment or transfer or the creation,  
3665 attachment, perfection or enforcement of the security interest may give  
3666 rise to a default, breach, right of recoupment, claim, defense,  
3667 termination, right of termination or remedy under the account or  
3668 chattel paper.

3669 (g) Subject to subsection (h), an account debtor may not waive or  
3670 vary its option under subdivision (3) of subsection (b).

3671 (h) This section is subject to law other than this article which  
3672 establishes a different rule for an account debtor who is an individual  
3673 and who incurred the obligation primarily for personal, family or  
3674 household purposes.

3675 (i) (1) This section does not apply to:

3676 (A) An assignment of a health-care-insurance receivable;

3677 (B) An assignment or transfer of or creation of a security interest in:

3678 (i) A claim or right to receive compensation for injuries or sickness  
3679 as described in 26 USC 104(a)(1) or (2), as amended from time to time,  
3680 or

3681 (ii) A claim or right to receive benefits under a special needs trust as  
3682 described in 42 USC 1396p(d)(4), as amended from time to time.

3683 (2) Subsection (f) of this section does not apply to an assignment or  
3684 transfer of, or the creation, attachment, perfection or enforcement of a  
3685 security interest in, a right the transfer of which is prohibited or  
3686 restricted by any of the following statutes to the extent that the statute  
3687 is inconsistent with said subsection: Section 12-831, 31-320 or 52-225f.

3688 Sec. 69. Section 42a-9-407 of the general statutes is repealed and the  
3689 following is substituted in lieu thereof:

3690 [Upon request of any person, the filing officer shall issue his  
3691 certificate showing whether there is on file on the date and hour stated  
3692 therein, any presently effective financing statement naming a  
3693 particular debtor and any statement of assignment thereof and if there  
3694 is, giving the date and hour of filing of each such statement and the  
3695 names and addresses of each secured party named therein. The  
3696 uniform fee for such a certificate shall be twenty-five dollars. Upon  
3697 request the filing officer shall furnish a photographic or electronic copy  
3698 of any filed financing statement, continuation statement, termination  
3699 statement, statement of assignment or statement of release for a  
3700 uniform fee of five dollars and, if such statement consists of more than  
3701 three pages, an additional uniform fee of five dollars for the fourth and  
3702 each succeeding page. No fee shall be charged to the state when a  
3703 certificate showing whether there is on file, on the date and hour stated  
3704 therein, any presently effective financing statement, naming a  
3705 particular debtor and any assignment or amendment thereof, is  
3706 requested by the Attorney General or an assistant attorney general or  
3707 by an authorized official of the state or any of its agencies, boards or  
3708 commissions acting in his official capacity, and no fee shall be charged

3709 to a municipality when such certificate is requested by the tax collector  
3710 or other municipal officer of such municipality, pursuant to the  
3711 provisions of sections 12-195a to 12-195g, inclusive.]

3712 (a) Except as otherwise provided in subsection (b), a term in a lease  
3713 agreement is ineffective to the extent that it:

3714 (1) Prohibits, restricts or requires the consent of a party to the lease  
3715 to the assignment or transfer of, or the creation, attachment, perfection  
3716 or enforcement of a security interest in, an interest of a party under the  
3717 lease contract or in the lessor's residual interest in the goods; or

3718 (2) Provides that the assignment or transfer or the creation,  
3719 attachment, perfection or enforcement of the security interest may give  
3720 rise to a default, breach, right of recoupment, claim, defense,  
3721 termination, right of termination or remedy under the lease.

3722 (b) A term described in subdivision (2) of subsection (a) is effective  
3723 to the extent that there is:

3724 (1) A transfer by the lessee of the lessee's right of possession or use  
3725 of the goods in violation of the term; or

3726 (2) A delegation of a material performance of either party to the  
3727 lease contract in violation of the term.

3728 (c) The creation, attachment, perfection or enforcement of a security  
3729 interest in the lessor's interest under the lease contract or the lessor's  
3730 residual interest in the goods is not a transfer that materially impairs  
3731 the lessee's prospect of obtaining return performance or materially  
3732 changes the duty of or materially increases the burden or risk imposed  
3733 on the lessee unless, and then only to the extent that, enforcement  
3734 actually results in a delegation of material performance of the lessor.

3735 Sec. 70. Section 42a-9-408 of the general statutes is repealed and the  
3736 following is substituted in lieu thereof:

3737 [Unless a filing officer has notice of an action pending relative  
3738 thereto, he may remove from the files and destroy (a) a lapsed  
3739 financing statement, a lapsed continuation statement, a statement of  
3740 assignment or release relating to either, and any index of any of them,  
3741 one year or more after lapse; and (b) a termination statement and the  
3742 index on which it is noted, one year or more after the filing of the  
3743 termination statement.]

3744 (a) Except as otherwise provided in subsection (b), a term in a  
3745 promissory note or in an agreement between an account debtor and a  
3746 debtor which relates to a health-care-insurance receivable or a general  
3747 intangible, including a contract, permit, license or franchise, and which  
3748 term prohibits, restricts or requires the consent of the person obligated  
3749 on the promissory note or the account debtor to, the assignment or  
3750 transfer of, or creation, attachment or perfection of a security interest  
3751 in, the promissory note, health-care-insurance receivable or general  
3752 intangible, is ineffective to the extent that the term:

3753 (1) Would impair the creation, attachment or perfection of a security  
3754 interest; or

3755 (2) Provides that the assignment or transfer or the creation,  
3756 attachment or perfection of the security interest may give rise to a  
3757 default, breach, right of recoupment, claim, defense, termination, right  
3758 of termination or remedy under the promissory note, health-care-  
3759 insurance receivable or general intangible.

3760 (b) Subsection (a) applies to a security interest in a payment  
3761 intangible or promissory note only if the security interest arises out of  
3762 a sale of the payment intangible or promissory note.

3763 (c) Except as provided in subsection (f), a rule of law, statute or  
3764 regulation that prohibits, restricts or requires the consent of a  
3765 government, governmental body or official, person obligated on a  
3766 promissory note or account debtor to the assignment or transfer of, or

3767 creation of a security interest in, a promissory note, health-care-  
3768 insurance receivable or general intangible, including a contract, permit,  
3769 license or franchise between an account debtor and a debtor, is  
3770 ineffective to the extent that the rule of law, statute or regulation:

3771 (1) Would impair the creation, attachment or perfection of a security  
3772 interest; or

3773 (2) Provides that the assignment or transfer or the creation,  
3774 attachment or perfection of the security interest may give rise to a  
3775 default, breach, right of recoupment, claim, defense, termination, right  
3776 of termination or remedy under the promissory note, health-care-  
3777 insurance receivable or general intangible.

3778 (d) To the extent that a term in a promissory note or in an agreement  
3779 between an account debtor and a debtor which relates to a health-care-  
3780 insurance receivable or general intangible or a rule of law, statute or  
3781 regulation described in subsection (c) would be effective under law  
3782 other than this article but is ineffective under subsection (a) or (c), the  
3783 creation, attachment or perfection of a security interest in the  
3784 promissory note, health-care-insurance receivable or general  
3785 intangible;

3786 (1) Is not enforceable against the person obligated on the promissory  
3787 note or the account debtor;

3788 (2) Does not impose a duty or obligation on the person obligated on  
3789 the promissory note or the account debtor;

3790 (3) Does not require the person obligated on the promissory note or  
3791 the account debtor to recognize the security interest, pay or render  
3792 performance to the secured party, or accept payment or performance  
3793 from the secured party;

3794 (4) Does not entitle the secured party to use or assign the debtor's  
3795 rights under the promissory note, health-care-insurance receivable or

3796 general intangible, including any related information or materials  
3797 furnished to the debtor in the transaction giving rise to the promissory  
3798 note, health-care-insurance receivable or general intangible;

3799 (5) Does not entitle the secured party to use, assign, possess or have  
3800 access to any trade secrets or confidential information of the person  
3801 obligated on the promissory note or the account debtor; and

3802 (6) Does not entitle the secured party to enforce the security interest  
3803 in the promissory note, health-care-insurance receivable or general  
3804 intangible.

3805 (e) Except as provided in subsection (f) of this section, this section  
3806 prevails over any inconsistent provision of any statute or regulation of  
3807 this state unless the provision is contained in a statute of this state,  
3808 refers expressly to this section and states that the provision prevails  
3809 over this section.

3810 (f) (1) This section does not apply to an assignment or transfer of or  
3811 creation of a security interest in:

3812 (i) A claim or right to receive compensation for injuries or sickness  
3813 as described in 26 USC 104(a)(1) or (2), as amended from time to time,  
3814 or

3815 (ii) A claim or right to receive benefits under a special needs trust as  
3816 described in 42 USC 1396p(d)(4), as amended from time to time.

3817 (2) Subsection (c) of this section does not apply to an assignment or  
3818 transfer of, or the creation, attachment, perfection or enforcement of a  
3819 security interest in, a right the transfer of which is prohibited or  
3820 restricted by any of the following statutes to the extent that the statute  
3821 is inconsistent with said subsection: Section 12-831, 31-320 or 52-225f.

3822 Sec. 71. Section 42a-9-409 of the general statutes is repealed and the  
3823 following is substituted in lieu thereof:



3824 [(1) Financing statements, security agreements, continuation  
3825 statements, amendments, termination statements, statements of  
3826 assignment and statements of release which are filed in the office of the  
3827 town clerk pursuant to section 42a-9-401 (1) (a) and which comply with  
3828 the requirements of this part shall be recorded, indexed and handled  
3829 as would be similar instruments relating to a mortgage upon the real  
3830 estate concerned. In particular, each financing statement, security  
3831 agreement, continuation statement and amendment shall be indexed in  
3832 the grantor index according to the name of the debtor and if it shows  
3833 the name of a record owner of the real estate which is other than that  
3834 of the debtor, it shall also be indexed according to the name of such  
3835 owner; all such items shall also be indexed in the grantee index  
3836 according to the name of the secured party. The fees for recording and  
3837 indexing shall be as provided in subsection (a) of section 7-34a.

3838 (2) In addition to other requirements of this part, a continuation  
3839 statement, amendment, termination statement, statement of  
3840 assignment or statement of release which is filed in the office of a town  
3841 clerk must refer to the record of the original financing statement by  
3842 book and page. The town clerk shall enter upon the margin of the  
3843 record of the original financing statement a notation of the record of  
3844 the subsequent statement or amendment.

3845 (3) Provision for a security interest in goods which are or are to  
3846 become fixtures may be included in a mortgage or other like  
3847 instrument transferring an interest in the real estate concerned. If such  
3848 instrument complies with the requirements for a financing statement  
3849 of section 42a-9-402, except the signature of the secured party, is  
3850 recorded as an instrument affecting real estate, and has the appropriate  
3851 recording fee paid therefor, such recording or registering and payment  
3852 of fee shall be an effective filing under this part in the office of the  
3853 town clerk without the necessity of any separate filing or payment of  
3854 any separate fee to the town clerk under this part.

3855 (4) If a person filing any financing statement, continuation  
3856 statement, amendment, termination statement, statement of  
3857 assignment or statement of release furnishes the town clerk a copy  
3858 thereof at the time of filing, the town clerk shall upon request note  
3859 upon such copy the date and hour of the filing of the original and  
3860 promptly deliver or send the copy to such person.]

3861 (a) A term in a letter of credit or a rule of law, statute, regulation,  
3862 custom or practice applicable to the letter of credit which prohibits,  
3863 restricts or requires the consent of an applicant, issuer or nominated  
3864 person to a beneficiary's assignment of or creation of a security interest  
3865 in a letter-of-credit right is ineffective to the extent that the term or rule  
3866 of law, statute, regulation, custom or practice:

3867 (1) Would impair the creation, attachment or perfection of a security  
3868 interest in the letter-of-credit right; or

3869 (2) Provides that the assignment or the creation, attachment or  
3870 perfection of the security interest may give rise to a default, breach,  
3871 right of recoupment, claim, defense, termination, right of termination  
3872 or remedy under the letter-of-credit right.

3873 (b) To the extent that a term in a letter of credit is ineffective under  
3874 subsection (a) but would be effective under law other than this article  
3875 or a custom or practice applicable to the letter of credit, to the transfer  
3876 of a right to draw or otherwise demand performance under the letter  
3877 of credit or to the assignment of a right to proceeds of the letter of  
3878 credit, the creation, attachment or perfection of a security interest in  
3879 the letter-of-credit right:

3880 (1) Is not enforceable against the applicant, issuer, nominated  
3881 person or transferee beneficiary;

3882 (2) Imposes no duties or obligations on the applicant, issuer,  
3883 nominated person or transferee beneficiary; and

3884       (3) Does not require the applicant, issuer, nominated person or  
3885 transferee beneficiary to recognize the security interest, pay or render  
3886 performance to the secured party, or accept payment or other  
3887 performance from the secured party.

3888       Sec. 72. Section 42a-9-501 of the general statutes is repealed and the  
3889 following is substituted in lieu thereof:

3890       [(1) When a debtor is in default under a security agreement, a  
3891 secured party has the rights and remedies provided in this part and  
3892 except as limited by subsection (3) those provided in the security  
3893 agreement. He may reduce his claim to judgment, foreclose or  
3894 otherwise enforce the security interest by any available judicial  
3895 procedure. If the collateral is documents the secured party may  
3896 proceed either as to the documents or as to the goods covered thereby.  
3897 A secured party in possession has the rights, remedies and duties  
3898 provided in section 42a-9-207. The rights and remedies referred to in  
3899 this subsection are cumulative.

3900       (2) After default, the debtor has the rights and remedies provided in  
3901 this part, those provided in the security agreement and those provided  
3902 in section 42a-9-207.

3903       (3) To the extent that they give rights to the debtor and impose  
3904 duties on the secured party, the rules stated in the subsections referred  
3905 to below may not be waived or varied except as provided with respect  
3906 to compulsory disposition of collateral by subsection (3) of section 42a-  
3907 9-504 and section 42a-9-505 and with respect to redemption of  
3908 collateral by section 42a-9-506 but the parties may by agreement  
3909 determine the standards by which the fulfillment of these rights and  
3910 duties is to be measured if such standards are not manifestly  
3911 unreasonable: (a) Subsection (2) of section 42a-9-502 and subsection (2)  
3912 of section 42a-9-504 insofar as they require accounting for surplus  
3913 proceeds of collateral; (b) subsection (3) of section 42a-9-504 and  
3914 subsection (1) of section 42a-9-505 which deal with disposition of

3915 collateral; (c) subsection (2) of section 42a-9-505 which deals with  
3916 acceptance of collateral as discharge of obligation; (d) section 42a-9-506  
3917 which deals with redemption of collateral; and (e) subsection (1) of  
3918 section 42a-9-507 which deals with the secured party's liability for  
3919 failure to comply with this part.

3920 (4) If the security agreement covers both real and personal property,  
3921 the secured party may proceed under this part as to the personal  
3922 property or he may proceed as to both the real and the personal  
3923 property in accordance with his rights and remedies in respect of the  
3924 real property in which case the provisions of this part do not apply.

3925 (5) When a secured party has reduced his claim to judgment the lien  
3926 of any levy which may be made upon his collateral by virtue of any  
3927 execution based upon the judgment shall relate back to the date of the  
3928 perfection of the security interest in such collateral. A judicial sale,  
3929 pursuant to such execution, is a foreclosure of the security interest by  
3930 judicial procedure within the meaning of this section, and the secured  
3931 party may purchase at the sale and thereafter hold the collateral free of  
3932 any other requirements of this article.]

3933 (a) Except as otherwise provided in subsection (b), if the local law of  
3934 this state governs perfection of a security interest or agricultural lien,  
3935 the office in which to file a financing statement to perfect the security  
3936 interest or agricultural lien is:

3937 (1) The office designated for the filing or recording of a record of a  
3938 mortgage on the related real property, if:

3939 (A) The collateral is as-extracted collateral or timber to be cut; or

3940 (B) The financing statement is filed as a fixture filing and the  
3941 collateral is goods that are or are to become fixtures; or

3942 (2) The Office of the Secretary of the State, in all other cases,  
3943 including a case in which the collateral is goods that are or are to

3944 become fixtures and the financing statement is not filed as a fixture  
3945 filing.

3946 (b) The office in which to file a financing statement to perfect a  
3947 security interest in collateral, including fixtures, of a transmitting  
3948 utility is the Office of the Secretary of the State. The financing  
3949 statement also constitutes a fixture filing as to the collateral indicated  
3950 in the financing statement which is or is to become fixtures.

3951 Sec. 73. Section 42a-9-502 of the general statutes is repealed and the  
3952 following is substituted in lieu thereof:

3953 [(1) When so agreed and in any event on default the secured party is  
3954 entitled to notify an account debtor or the obligor on an instrument to  
3955 make payment to him whether or not the assignor was theretofore  
3956 making collections on the collateral, and also to take control of any  
3957 proceeds to which he is entitled under section 42a-9-306.

3958 (2) A secured party who by agreement is entitled to charge back  
3959 uncollected collateral or otherwise to full or limited recourse against  
3960 the debtor and who undertakes to collect from the account debtors or  
3961 obligors must proceed in a commercially reasonable manner and may  
3962 deduct his reasonable expenses of realization from the collections. If  
3963 the security agreement secures an indebtedness, the secured party  
3964 must account to the debtor for any surplus and, unless otherwise  
3965 agreed, the debtor is liable for any deficiency; but, if the underlying  
3966 transaction was a sale of accounts or chattel paper, the debtor is  
3967 entitled to any surplus or is liable for any deficiency only if the security  
3968 agreement so provides.]

3969 (a) Subject to subsection (b), a financing statement is sufficient only  
3970 if it:

3971 (1) Provides the name of the debtor;

3972 (2) Provides the name of the secured party or a representative of the

3973 secured party; and

3974 (3) Indicates the collateral covered by the financing statement.

3975 (b) Except as otherwise provided in subsection (b) of section 42a-9-  
3976 501, as amended by this act, to be sufficient, a financing statement that  
3977 covers as-extracted collateral or timber to be cut, or which is filed as a  
3978 fixture filing and covers goods that are or are to become fixtures, must  
3979 satisfy subsection (a) and also:

3980 (1) Indicate that it covers this type of collateral;

3981 (2) Indicate that it is to be filed in the real property records;

3982 (3) Provide a description of the real property to which the collateral  
3983 is related sufficient to give constructive notice of a mortgage under the  
3984 law of this state if the description were contained in a record of the  
3985 mortgage of the real property; and

3986 (4) If the debtor does not have an interest of record in the real  
3987 property, provide the name of a record owner.

3988 (c) A record of a mortgage is effective, from the date of recording, as  
3989 a financing statement filed as a fixture filing or as a financing  
3990 statement covering as-extracted collateral or timber to be cut only if:

3991 (1) The record indicates the goods or accounts that it covers;

3992 (2) The goods are or are to become fixtures related to the real  
3993 property described in the record or the collateral is related to the real  
3994 property described in the record and is as-extracted collateral or timber  
3995 to be cut;

3996 (3) The record satisfies the requirements for a financing statement in  
3997 this section other than an indication that it is to be recorded in the real  
3998 property records; and

3999       (4) The record is recorded.

4000       (d) A financing statement may be filed or recorded before a security  
4001 agreement is made or a security interest otherwise attaches.

4002       Sec. 74. Section 42a-9-503 of the general statutes is repealed and the  
4003 following is substituted in lieu thereof:

4004       [Unless otherwise agreed a secured party has on default the right to  
4005 take possession of the collateral. In taking possession a secured party  
4006 may proceed without judicial process if this can be done without  
4007 breach of the peace or may proceed by action. If the security agreement  
4008 so provides the secured party may require the debtor to assemble the  
4009 collateral and make it available to the secured party at a place to be  
4010 designated by the secured party which is reasonably convenient to  
4011 both parties. Without removal a secured party may render equipment  
4012 unusable, and may dispose of collateral on the debtor's premises under  
4013 section 42a-9-504.]

4014       (a) A financing statement sufficiently provides the name of the  
4015 debtor:

4016       (1) If the debtor is a registered organization, only if the financing  
4017 statement provides the name of the debtor indicated on the public  
4018 record of the debtor's jurisdiction of organization which shows the  
4019 debtor to have been organized;

4020       (2) If the debtor is a decedent's estate, only if the financing  
4021 statement provides the name of the decedent and indicates that the  
4022 debtor is an estate;

4023       (3) If the debtor is a trust or a trustee acting with respect to property  
4024 held in trust, only if the financing statement:

4025       (A) Provides the name specified for the trust in its organic  
4026 documents or, if no name is specified, provides the name of the settlor

4027 and additional information sufficient to distinguish the debtor from  
4028 other trusts having one or more of the same settlors; and

4029 (B) Indicates, in the debtor's name or otherwise, that the debtor is a  
4030 trust or is a trustee acting with respect to property held in trust; and

4031 (4) In other cases:

4032 (A) If the debtor has a name, only if it provides the individual or  
4033 organizational name of the debtor; and

4034 (B) If the debtor does not have a name, only if it provides the names  
4035 of the partners, members, associates or other persons comprising the  
4036 debtor.

4037 (b) A financing statement that provides the name of the debtor in  
4038 accordance with subsection (a) is not rendered ineffective by the  
4039 absence of:

4040 (1) A trade name or other name of the debtor; or

4041 (2) Unless required under subparagraph (B) of subdivision (4) of  
4042 subsection (a) of this section, names of partners, members, associates  
4043 or other persons comprising the debtor.

4044 (c) A financing statement that provides only the debtor's trade name  
4045 does not sufficiently provide the name of the debtor.

4046 (d) Failure to indicate the representative capacity of a secured party  
4047 or representative of a secured party does not affect the sufficiency of a  
4048 financing statement.

4049 (e) A financing statement may provide the name of more than one  
4050 debtor and the name of more than one secured party.

4051 Sec. 75. Section 42a-9-504 of the general statutes is repealed and the  
4052 following is substituted in lieu thereof:



4053       [(1) A secured party after default may sell, lease or otherwise  
4054 dispose of any or all of the collateral in its then condition or following  
4055 any commercially reasonable preparation or processing. Any sale of  
4056 goods is subject to article 2. The proceeds of disposition shall be  
4057 applied in the order following to (a) the reasonable expenses of  
4058 retaking, holding, preparing for sale or lease, selling, leasing and the  
4059 like and, to the extent provided for in the agreement and not  
4060 prohibited by law, the reasonable attorneys' fees and legal expenses  
4061 incurred by the secured party; (b) the satisfaction of indebtedness  
4062 secured by the security interest under which the disposition is made;  
4063 (c) the satisfaction of indebtedness secured by any subordinate security  
4064 interest in the collateral if written notification of demand therefor is  
4065 received before distribution of the proceeds is completed. If requested  
4066 by the secured party, the holder of a subordinate security interest must  
4067 seasonably furnish reasonable proof of his interest, and unless he does  
4068 so, the secured party need not comply with his demand.

4069       (2) If the security interest secures an indebtedness, the secured party  
4070 must account to the debtor for any surplus and, unless otherwise  
4071 agreed, the debtor is liable for any deficiency; but if the underlying  
4072 transaction was a sale of accounts or chattel paper, the debtor is  
4073 entitled to any surplus or is liable for any deficiency only if the security  
4074 agreement so provides.

4075       (3) Disposition of the collateral may be by public or private  
4076 proceedings and may be made by way of one or more contracts. Sale or  
4077 other disposition may be as a unit or in parcels and at any time and  
4078 place and on any terms but every aspect of the disposition including  
4079 the method, manner, time, place and terms must be commercially  
4080 reasonable. Unless collateral is perishable or threatens to decline  
4081 speedily in value or is of a type customarily sold on a recognized  
4082 market, reasonable notification of the time and place of any public sale  
4083 or reasonable notification of the time after which any private sale or  
4084 other intended disposition is to be made shall be sent by the secured

4085 party to the debtor, if he has not signed after default a statement  
4086 renouncing or modifying his right to notification of sale. In the case of  
4087 consumer goods no other notification need be sent. In other cases  
4088 notification shall be sent to any other secured party from whom the  
4089 secured party has received, before sending his notification to the  
4090 debtor or before the debtor's renunciation of his rights, written notice  
4091 of a claim of an interest in the collateral. The secured party may buy at  
4092 any public sale and if the collateral is of a type customarily sold in a  
4093 recognized market or is of a type which is the subject of widely  
4094 distributed standard price quotations he may buy at private sale.

4095 (4) When collateral is disposed of by a secured party after default,  
4096 the disposition transfers to a purchaser for value all of the debtor's  
4097 rights therein, discharges the security interest under which it is made  
4098 and any security interest or lien subordinate thereto. The purchaser  
4099 takes free of all such rights and interests even though the secured party  
4100 fails to comply with the requirements of this part or of any judicial  
4101 proceedings (a) in the case of a public sale, if the purchaser has no  
4102 knowledge of any defects in the sale and if he does not buy in collusion  
4103 with the secured party, other bidders or the person conducting the  
4104 sale; or (b) in any other case, if the purchaser acts in good faith.

4105 (5) A person who is liable to a secured party under a guaranty,  
4106 endorsement, repurchase agreement or the like and who receives a  
4107 transfer of collateral from the secured party or is subrogated to his  
4108 rights has thereafter the rights and duties of the secured party. Such a  
4109 transfer of collateral is not a sale or disposition of the collateral under  
4110 this article.]

4111 A financing statement sufficiently indicates the collateral that it  
4112 covers if the financing statement provides:

4113 (1) A description of the collateral pursuant to section 42a-9-108, as  
4114 amended by this act; or

4115       (2) An indication that the financing statement covers all assets or all  
4116       personal property.

4117       Sec. 76. Section 42a-9-505 of the general statutes is repealed and the  
4118       following is substituted in lieu thereof:

4119       [(1) If the debtor has paid sixty per cent of the cash price in the case  
4120       of a purchase money security interest in consumer goods or sixty per  
4121       cent of the loan in the case of another security interest in consumer  
4122       goods, and has not signed after default a statement renouncing or  
4123       modifying his rights under this part a secured party who has taken  
4124       possession of collateral must dispose of it under section 42a-9-504 and  
4125       if he fails to do so within ninety days after he takes possession the  
4126       debtor at his option may recover in conversion or under section 42a-9-  
4127       507 (1) on secured party's liability.

4128       (2) In any other case involving consumer goods or any other  
4129       collateral a secured party in possession may, after default, propose to  
4130       retain the collateral in satisfaction of the obligation. Written notice of  
4131       such proposal shall be sent to the debtor if he has not signed after  
4132       default a statement renouncing or modifying his rights under this  
4133       subsection. In the case of consumer goods no other notice need be  
4134       given. In other cases notice shall be sent to any other secured party  
4135       from whom the secured party has received, before sending his notice  
4136       to the debtor or before the debtor's renunciation of his rights, written  
4137       notice of a claim of an interest in the collateral. If the secured party  
4138       receives objection in writing from a person entitled to receive  
4139       notification within twenty-one days after the notice was sent, the  
4140       secured party must dispose of the collateral under section 42a-9-504. In  
4141       the absence of such written objection the secured party may retain the  
4142       collateral in satisfaction of the debtor's obligation.]

4143       (a) A consignor, lessor or other bailor of goods, a licensor or a buyer  
4144       of a payment intangible or promissory note may file a financing  
4145       statement, or may comply with a statute or treaty described in

4146 subsection (a) of section 42a-9-311, as amended by this act, using the  
4147 terms "consignor", "consignee", "lessor", "lessee", "bailor", "bailee",  
4148 "licensor", "licensee", "owner", "registered owner", "buyer", "seller" or  
4149 words of similar import, instead of the terms "secured party" and  
4150 "debtor".

4151 (b) Sections 42a-9-501 to 42a-9-507, inclusive, as amended by this  
4152 act, and sections 79 to 97, inclusive, of this act apply to the filing of a  
4153 financing statement under subsection (a) and, as appropriate, to  
4154 compliance that is equivalent to filing a financing statement under  
4155 subsection (b) of section 42a-9-311, as amended by this act, but the  
4156 filing or compliance is not of itself a factor in determining whether the  
4157 collateral secures an obligation. If it is determined for another reason  
4158 that the collateral secures an obligation, a security interest held by the  
4159 consignor, lessor, bailor, licensor, owner or buyer which attaches to the  
4160 collateral is perfected by the filing or compliance.

4161 Sec. 77. Section 42a-9-506 of the general statutes is repealed and the  
4162 following is substituted in lieu thereof:

4163 [At any time before the secured party has disposed of collateral or  
4164 entered into a contract for its disposition under section 42a-9-504 or  
4165 before the obligation has been discharged under section 42a-9-505(2)  
4166 the debtor or any other secured party may unless otherwise agreed in  
4167 writing after default redeem the collateral by tendering fulfillment of  
4168 all obligations secured by the collateral as well as the expenses  
4169 reasonably incurred by the secured party in retaking, holding and  
4170 preparing the collateral for disposition, in arranging for the sale, and to  
4171 the extent provided in the agreement and not prohibited by law, his  
4172 reasonable attorney's fees and legal expenses.]

4173 (a) A financing statement substantially satisfying the requirements  
4174 of sections 42a-9-501 to 42a-9-507, inclusive, as amended by this act,  
4175 and sections 79 to 97, inclusive, of this act is effective, even if it has  
4176 minor errors or omissions, unless the errors or omissions make the

4177 financing statement seriously misleading.

4178 (b) Except as otherwise provided in subsection (c), a financing  
4179 statement that fails sufficiently to provide the name of the debtor in  
4180 accordance with subsection (a) of section 42a-9-503, as amended by  
4181 this act, is seriously misleading.

4182 (c) If a search of the records of the filing office under the debtor's  
4183 correct name, using the filing office's standard search logic, if any,  
4184 would disclose a financing statement that fails sufficiently to provide  
4185 the name of the debtor in accordance with subsection (a) of section 42a-  
4186 9-503, as amended by this act, the name provided does not make the  
4187 financing statement seriously misleading.

4188 (d) For purposes of subsection (b) of section 79 of this act, the  
4189 "debtor's correct name" in subsection (c) means the correct name of the  
4190 new debtor.

4191 Sec. 78. Section 42a-9-507 of the general statutes is repealed and the  
4192 following is substituted in lieu thereof:

4193 [(1) If it is established that the secured party is not proceeding in  
4194 accordance with the provisions of this part disposition may be ordered  
4195 or restrained on appropriate terms and conditions. If the disposition  
4196 has occurred the debtor or any person entitled to notification or whose  
4197 security interest has been made known to the secured party prior to  
4198 the disposition has a right to recover from the secured party any loss  
4199 caused by a failure to comply with the provisions of this part. If the  
4200 collateral is consumer goods, the debtor has a right to recover in any  
4201 event an amount not less than the credit service charge plus ten per  
4202 cent of the principal amount of the debt or the time price differential  
4203 plus ten per cent of the cash price.

4204 (2) The fact that a better price could have been obtained by a sale at  
4205 a different time or in a different method from that selected by the

4206 secured party is not of itself sufficient to establish that the sale was not  
4207 made in a commercially reasonable manner. If the secured party either  
4208 sells the collateral in the usual manner in any recognized market  
4209 therefor or if he sells at the price current in such market at the time of  
4210 his sale or if he has otherwise sold in conformity with reasonable  
4211 commercial practices among dealers in the type of property sold he has  
4212 sold in a commercially reasonable manner. The principles stated in the  
4213 two preceding sentences with respect to sales also apply as may be  
4214 appropriate to other types of disposition. A disposition which has been  
4215 approved in any judicial proceeding or by any bona fide creditors'  
4216 committee or representative of creditors shall conclusively be deemed  
4217 to be commercially reasonable, but this sentence does not indicate that  
4218 any such approval must be obtained in any case nor does it indicate  
4219 that any disposition not so approved is not commercially reasonable.]

4220 (a) A filed financing statement remains effective with respect to  
4221 collateral that is sold, exchanged, leased, licensed or otherwise  
4222 disposed of and in which a security interest or agricultural lien  
4223 continues, even if the secured party knows of or consents to the  
4224 disposition.

4225 (b) Except as otherwise provided in subsection (c) and section 79 of  
4226 this act, a financing statement is not rendered ineffective if, after the  
4227 financing statement is filed, the information provided in the financing  
4228 statement becomes seriously misleading under section 42a-9-506, as  
4229 amended by this act.

4230 (c) If a debtor so changes its name that a filed financing statement  
4231 becomes seriously misleading under section 42a-9-506, as amended by  
4232 this act:

4233 (1) The financing statement is effective to perfect a security interest  
4234 in collateral acquired by the debtor before, or within four months after,  
4235 the change; and

4236       (2) The financing statement is not effective to perfect a security  
4237 interest in collateral acquired by the debtor more than four months  
4238 after the change, unless an amendment to the financing statement  
4239 which renders the financing statement not seriously misleading is filed  
4240 within four months after the change.

4241       Sec. 79. (NEW) (a) Except as otherwise provided in this section, a  
4242 filed financing statement naming an original debtor is effective to  
4243 perfect a security interest in collateral in which a new debtor has or  
4244 acquires rights to the extent that the financing statement would have  
4245 been effective had the original debtor acquired rights in the collateral.

4246       (b) If the difference between the name of the original debtor and  
4247 that of the new debtor causes a filed financing statement that is  
4248 effective under subsection (a) to be seriously misleading under section  
4249 42a-9-506 of the general statutes, as amended by this act:

4250       (1) The financing statement is effective to perfect a security interest  
4251 in collateral acquired by the new debtor before, and within four  
4252 months after, the new debtor becomes bound under subsection (d) of  
4253 section 42a-9-203 of the general statutes, as amended by this act; and

4254       (2) The financing statement is not effective to perfect a security  
4255 interest in collateral acquired by the new debtor more than four  
4256 months after the new debtor becomes bound under subsection (d) of  
4257 section 42a-9-203 of the general statutes, as amended by this act, unless  
4258 an initial financing statement providing the name of the new debtor is  
4259 filed before the expiration of that time.

4260       (c) This section does not apply to collateral as to which a filed  
4261 financing statement remains effective against the new debtor under  
4262 subsection (a) of section 42a-9-507 of the general statutes, as amended  
4263 by this act.

4264       Sec. 80. (NEW) (a) A person may file an initial financing statement,

4265 amendment that adds collateral covered by a financing statement or  
4266 amendment that adds a debtor to a financing statement only if:

4267 (1) The debtor authorizes the filing in an authenticated record or  
4268 pursuant to subsection (b) or (c); or

4269 (2) The person holds an agricultural lien that has become effective at  
4270 the time of filing and the financing statement covers only collateral in  
4271 which the person holds an agricultural lien.

4272 (b) By authenticating or becoming bound as debtor by a security  
4273 agreement, a debtor or new debtor authorizes the filing of an initial  
4274 financing statement, and an amendment, covering:

4275 (1) The collateral described in the security agreement; and

4276 (2) Property that becomes collateral under subdivision (2) of  
4277 subsection (a) of section 42a-9-315 of the general statutes, as amended  
4278 by this act, whether or not the security agreement expressly covers  
4279 proceeds.

4280 (c) By acquiring collateral in which a security interest or agricultural  
4281 lien continues under subdivision (1) of subsection (a) of section 42a-9-  
4282 315 of the general statutes, as amended by this act, a debtor authorizes  
4283 the filing of an initial financing statement, and an amendment,  
4284 covering the collateral and property that becomes collateral under  
4285 subdivision (2) of subsection (a) of section 42-9-315 of the general  
4286 statutes, as amended by this act.

4287 (d) A person may file an amendment other than an amendment that  
4288 adds collateral covered by a financing statement or an amendment that  
4289 adds a debtor to a financing statement only if:

4290 (1) The secured party of record authorizes the filing; or

4291 (2) The amendment is a termination statement for a financing



4292 statement as to which the secured party of record has failed to file or  
4293 send a termination statement as required by subsection (a) or (c) of  
4294 section 84 of this act, the debtor authorizes the filing, and the  
4295 termination statement indicates that the debtor authorized it to be  
4296 filed.

4297 (e) If there is more than one secured party of record for a financing  
4298 statement, each secured party of record may authorize the filing of an  
4299 amendment under subsection (d).

4300 Sec. 81. (NEW) (a) A filed record is effective only to the extent that it  
4301 was filed by a person that may file it under section 80 of this act.

4302 (b) A record authorized by one secured party of record does not  
4303 affect the financing statement with respect to another secured party of  
4304 record.

4305 (c) A continuation statement that is not filed within the six-month  
4306 period prescribed by subsection (d) of section 86 of this act is  
4307 ineffective.

4308 Sec. 82. (NEW) (a) A secured party of record with respect to a  
4309 financing statement is a person whose name is provided as the name of  
4310 the secured party or a representative of the secured party in an initial  
4311 financing statement that has been filed. If an initial financing statement  
4312 is filed under subsection (a) of section 85 of this act, the assignee  
4313 named in the initial financing statement is the secured party of record  
4314 with respect to the financing statement.

4315 (b) If an amendment of a financing statement which provides the  
4316 name of a person as a secured party or a representative of a secured  
4317 party is filed, the person named in the amendment is a secured party  
4318 of record. If an amendment is filed under subsection (b) of section 85 of  
4319 this act, the assignee named in the amendment is a secured party of  
4320 record.

4321 (c) A person remains a secured party of record until the filing of an  
4322 amendment of the financing statement which deletes the person.

4323 Sec. 83. (NEW) (a) Subject to section 80 of this act, a person may add  
4324 or delete collateral covered by, continue or terminate the effectiveness  
4325 of, or, subject to subsection (e), otherwise amend the information  
4326 provided in, a financing statement by filing an amendment that:

4327 (1) Identifies, by its file number, the initial financing statement to  
4328 which the amendment relates; or

4329 (2) If the amendment relates to an initial financing statement  
4330 recorded in a filing office described in subdivision (1) of subsection (a)  
4331 of section 42a-9-501 of the general statutes, as amended by this act,  
4332 identifies the initial financing statement to which the amendment  
4333 relates by book and page or the date that the initial financing statement  
4334 was recorded.

4335 (b) Except as otherwise provided in section 86 of this act, the filing  
4336 of an amendment does not extend the period of effectiveness of the  
4337 financing statement.

4338 (c) A financing statement that is amended by an amendment that  
4339 adds collateral is effective as to the added collateral only from the date  
4340 of the filing of the amendment.

4341 (d) A financing statement that is amended by an amendment that  
4342 adds a debtor is effective as to the added debtor only from the date of  
4343 the filing of the amendment.

4344 (e) An amendment is ineffective to the extent it:

4345 (1) Purports to delete all debtors and fails to provide the name of a  
4346 debtor to be covered by the financing statement; or

4347 (2) Purports to delete all secured parties of record and fails to

4348 provide the name of a new secured party of record.

4349       Sec. 84. (NEW) (a) A secured party shall cause the secured party of  
4350 record for a financing statement to file a termination statement for the  
4351 financing statement if the financing statement covers consumer goods  
4352 and:

4353       (1) There is no obligation secured by the collateral covered by the  
4354 financing statement and no commitment to make an advance, incur an  
4355 obligation or otherwise give value; or

4356       (2) The debtor did not authorize the filing of the initial financing  
4357 statement.

4358       (b) To comply with subsection (a), a secured party shall cause the  
4359 secured party of record to file the termination statement:

4360       (1) Within one month after there is no obligation secured by the  
4361 collateral covered by the financing statement and no commitment to  
4362 make an advance, incur an obligation or otherwise give value; or

4363       (2) If earlier, within twenty days after the secured party receives an  
4364 authenticated demand from a debtor.

4365       (c) In cases not governed by subsection (a), within twenty days after  
4366 a secured party receives an authenticated demand from a debtor, the  
4367 secured party shall cause the secured party of record for a financing  
4368 statement to send to the debtor a termination statement for the  
4369 financing statement or file the termination statement in the filing office  
4370 if:

4371       (1) Except in the case of a financing statement covering accounts or  
4372 chattel paper that has been sold or goods that are the subject of a  
4373 consignment, there is no obligation secured by the collateral covered  
4374 by the financing statement and no commitment to make an advance,  
4375 incur an obligation or otherwise give value;

4376 (2) The financing statement covers accounts or chattel paper that has  
4377 been sold but as to which the account debtor or other person obligated  
4378 has discharged its obligation;

4379 (3) The financing statement covers goods that were the subject of a  
4380 consignment to the debtor but are not in the debtor's possession; or

4381 (4) The debtor did not authorize the filing of the initial financing  
4382 statement.

4383 (d) Except as otherwise provided in section 81 of this act, upon the  
4384 filing of a termination statement with the filing office, the financing  
4385 statement to which the termination statement relates ceases to be  
4386 effective. Except as otherwise provided in section 81 of this act, for  
4387 purposes of subsection (f) of section 90 of this act, subsection (a) of  
4388 section 93 of this act and subsection (c) of section 94 of this act, the  
4389 filing with the filing office of a termination statement relating to a  
4390 financing statement that indicates that the debtor is a transmitting  
4391 utility also causes the effectiveness of the financing statement to lapse.

4392 Sec. 85. (NEW) (a) Except as otherwise provided in subsection (c),  
4393 an initial financing statement may reflect an assignment of all of the  
4394 secured party's power to authorize an amendment to the financing  
4395 statement by providing the name and mailing address of the assignee  
4396 as the name and address of the secured party.

4397 (b) Except as otherwise provided in subsection (c), a secured party  
4398 of record may assign of record all or part of its power to authorize an  
4399 amendment to a financing statement by filing in the filing office an  
4400 amendment of the financing statement which:

4401 (1) Identifies, by its file number, the initial financing statement to  
4402 which it relates;

4403 (2) Provides the name of the assignor; and

4404 (3) Provides the name and mailing address of the assignee.

4405 (c) An assignment of record of a security interest in a fixture covered  
4406 by a fixture filing or record of a mortgage which is effective as a  
4407 financing statement filed as a fixture filing under subsection (c) of  
4408 section 42a-9-502 of the general statutes, as amended by this act, may  
4409 be made only by an assignment of record of the fixture filing or  
4410 mortgage in the manner provided by law of this state other than title  
4411 42a of the general statutes.

4412 Sec. 86. (NEW) (a) Except as otherwise provided in subsections (b),  
4413 (e), (f) and (g), a filed financing statement is effective for a period of  
4414 five years after the date of filing.

4415 (b) Except as otherwise provided in subsections (e), (f) and (g), an  
4416 initial financing statement filed in connection with a manufactured-  
4417 home transaction is effective for a period of thirty years after the date  
4418 of filing if it indicates that it is filed in connection with a  
4419 manufactured-home transaction.

4420 (c) The effectiveness of a filed financing statement lapses on the  
4421 expiration of the period of its effectiveness unless before the lapse a  
4422 continuation statement is filed pursuant to subsection (d). Upon lapse,  
4423 a financing statement ceases to be effective and any security interest or  
4424 agricultural lien that was perfected by the financing statement  
4425 becomes unperfected, unless the security interest is perfected  
4426 otherwise. If the security interest or agricultural lien becomes  
4427 unperfected upon lapse, it is deemed never to have been perfected as  
4428 against a purchaser of the collateral for value.

4429 (d) A continuation statement may be filed only within six months  
4430 before the expiration of the five-year period specified in subsection (a)  
4431 or the thirty-year period specified in subsection (b), whichever is  
4432 applicable.

4433 (e) Except as otherwise provided in section 81 of this act, upon  
4434 timely filing of a continuation statement, the effectiveness of the initial  
4435 financing statement continues for a period of five years commencing  
4436 on the day on which the financing statement would have become  
4437 ineffective in the absence of the filing. Upon the expiration of the five-  
4438 year period, the financing statement lapses in the same manner as  
4439 provided in subsection (c), unless, before the lapse, another  
4440 continuation statement is filed pursuant to subsection (d). Succeeding  
4441 continuation statements may be filed in the same manner to continue  
4442 the effectiveness of the initial financing statement.

4443 (f) If a debtor is a transmitting utility and a filed financing statement  
4444 so indicates, the financing statement is effective until a termination  
4445 statement is filed.

4446 (g) A record of a mortgage that is effective as a financing statement  
4447 filed as a fixture filing under subsection (c) of section 42a-9-502 of the  
4448 general statutes, as amended by this act, remains effective as a  
4449 financing statement filed as a fixture filing until the mortgage is  
4450 released or satisfied of record or its effectiveness otherwise terminates  
4451 as to the real property.

4452 Sec. 87. (NEW) (a) Except as otherwise provided in subsection (b),  
4453 communication of a record to a filing office and tender of the filing fee  
4454 or acceptance of the record by the filing office constitutes filing. In the  
4455 case of the recording of a record in a filing office described in  
4456 subdivision (1) of subsection (a) of section 42a-9-501 of the general  
4457 statutes, as amended by this act, tender of the filing fee means tender  
4458 of the fee specified in section 7-34a of the general statutes.

4459 (b) Filing does not occur with respect to a record that a filing office  
4460 refuses to accept because:

4461 (1) The record is not communicated by a method or medium of  
4462 communication authorized by the filing office;

4463       (2) An amount equal to or greater than the applicable filing fee is  
4464 not tendered;

4465       (3) The filing office is unable to index the record because:

4466       (A) In the case of an initial financing statement, the record does not  
4467 provide a name for the debtor;

4468       (B) In the case of an amendment or correction statement, the record:

4469       (i) Does not identify the initial financing statement as required by  
4470 section 83 or 89 of this act, as applicable; or

4471       (ii) Identifies an initial financing statement whose effectiveness has  
4472 lapsed under section 86 of this act; or

4473       (C) In the case of an initial financing statement that provides the  
4474 name of a debtor identified as an individual or an amendment that  
4475 provides a name of a debtor identified as an individual which was not  
4476 previously provided in the financing statement to which the record  
4477 relates, the record does not identify the debtor's last name;

4478       (4) In the case of an initial financing statement or an amendment  
4479 that adds a secured party of record, the record does not provide a  
4480 name and mailing address for the secured party of record;

4481       (5) In the case of an initial financing statement or an amendment  
4482 that provides a name of a debtor which was not previously provided  
4483 in the financing statement to which the amendment relates, the record  
4484 does not:

4485       (A) Provide a mailing address for the debtor;

4486       (B) Indicate whether the debtor is an individual or an organization;  
4487 or

4488       (C) If the financing statement indicates that the debtor is an

4489 organization, provide:

4490 (i) A type of organization for the debtor; and

4491 (ii) A jurisdiction of organization for the debtor;

4492 (6) In the case of an assignment reflected in an initial financing  
4493 statement under subsection (a) of section 85 of this act, or an  
4494 amendment filed under subsection (b) of section 85 of this act, the  
4495 record does not provide a name and mailing address for the assignee;  
4496 or

4497 (7) In the case of a continuation statement, the record is not filed  
4498 within the six-month period prescribed by subsection (d) of section 86  
4499 of this act.

4500 (c) For purposes of subsection (b):

4501 (1) A record does not provide information if the filing office is  
4502 unable to read or decipher the information; and

4503 (2) A record that does not indicate that it is an amendment or  
4504 identify an initial financing statement to which it relates, as required  
4505 by section 83, 85 or 89 of this act, is an initial financing statement.

4506 (d) A record that is communicated to the filing office with tender of  
4507 the filing fee, but which the filing office refuses to accept for a reason  
4508 other than one set forth in subsection (b), is effective as a filed record  
4509 except as against a purchaser of the collateral which gives value in  
4510 reasonable reliance upon the absence of the record from the files.

4511 Sec. 88. (NEW) The failure of the filing office to index a record  
4512 correctly does not affect the effectiveness of the filed record.

4513 Sec. 89. (NEW) (a) A person may file in the filing office a correction  
4514 statement with respect to a record indexed there under the person's  
4515 name if the person believes that the record is inaccurate or was



4516 wrongfully filed.

4517 (b) A correction statement must:

4518 (1) Identify the record to which it relates by:

4519 (A) The file number assigned to the initial financing statement to  
4520 which the record relates; or

4521 (B) If the correction statement relates to a record recorded in a filing  
4522 office described in subdivision (1) of subsection (a) of section 42a-9-501  
4523 of the general statutes, as amended by this act, the book and page on  
4524 which or the date and time that the initial financing statement was  
4525 recorded;

4526 (2) Indicate that it is a correction statement; and

4527 (3) Provide the basis for the person's belief that the record is  
4528 inaccurate and indicate the manner in which the person believes the  
4529 record should be amended to cure any inaccuracy or provide the basis  
4530 for the person's belief that the record was wrongfully filed.

4531 (c) The filing of a correction statement does not affect the  
4532 effectiveness of an initial financing statement or other filed record.

4533 Sec. 90. (NEW) (a) For each record filed in a filing office, the filing  
4534 office shall:

4535 (1) In the case of a record filed in the filing office described in  
4536 subdivision (2) of subsection (a) of section 42a-9-501 of the general  
4537 statutes, as amended by this act, assign a unique number to the filed  
4538 record;

4539 (2) In the case of a record filed in the filing office described in  
4540 subdivision (2) of subsection (a) of section 42a-9-501 of the general  
4541 statutes, as amended by this act, create a record that bears the number  
4542 assigned to the filed record and the date and time of filing;

4543 (3) Maintain the filed record for public inspection; and

4544 (4) Index the filed record in accordance with subsections (b), (c) and  
4545 (d).

4546 (b) Except as otherwise provided in subsections (c) and (d), the  
4547 filing office shall:

4548 (1) Index an initial financing statement according to the name of the  
4549 debtor and index all filed records relating to the initial financing  
4550 statement in a manner that associates with one another an initial  
4551 financing statement and all filed records relating to the initial financing  
4552 statement; and

4553 (2) Index a record that provides a name of a debtor which was not  
4554 previously provided in the financing statement to which the record  
4555 relates also according to the name that was not previously provided.

4556 (c) If a financing statement is filed as a fixture filing or covers as-  
4557 extracted collateral or timber to be cut, it must be filed for record and  
4558 the filing office shall index it:

4559 (1) In the grantor index under the names of the debtor and of each  
4560 owner of record shown on the financing statement as if they were the  
4561 mortgagors under a mortgage of the real property described; and

4562 (2) In the grantee index under the name of the secured party as if the  
4563 secured party were the mortgagee thereunder, or, if indexing is by  
4564 description, as if the financing statement were a record of a mortgage  
4565 of the real property described.

4566 (d) If a financing statement is filed as a fixture filing or covers as-  
4567 extracted collateral or timber to be cut, the filing office shall index an  
4568 assignment filed under subsection (a) of section 85 of this act or an  
4569 amendment filed under subsection (b) of section 85 of this act:

4570 (1) In the grantor index under the name of the assignor as grantor;  
4571 and

4572 (2) In the grantee index under the name of the assignee as grantee.  
4573 The filing officer shall also enter upon the margin of the record of such  
4574 initial financing statement a notation of the record of the subsequent  
4575 assignment or amendment and of any continuation statement,  
4576 termination statement or correction statement.

4577 (e) The filing office shall maintain a capability:

4578 (1) To retrieve a record by the name of the debtor and:

4579 (A) If the filing office is described in subdivision (1) of subsection (a)  
4580 of section 42a-9-501 of the general statutes, as amended by this act, by  
4581 the book and page number assigned to the initial financing statement  
4582 to which the record relates; or

4583 (B) If the filing office is described in subdivision (2) of subsection (a)  
4584 of section 42a-9-501 of the general statutes, as amended by this act, by  
4585 the file number assigned to the initial financing statement to which the  
4586 record relates; and

4587 (2) To associate and retrieve with one another an initial financing  
4588 statement and each filed record relating to the initial financing  
4589 statement.

4590 (f) The filing office may not remove a debtor's name from the index  
4591 until one year after the effectiveness of a financing statement naming  
4592 the debtor lapses under section 86 of this act with respect to all secured  
4593 parties of record.

4594 (g) The filing office shall perform the acts required by subsections  
4595 (a) to (d), inclusive, at the time and in the manner prescribed by filing-  
4596 office regulation, but not later than five business days after the filing  
4597 office receives the record in question.

4598 (h) Subsection (g) does not apply to a filing office described in  
4599 subdivision (1) of subsection (a) of section 42a-9-501 of the general  
4600 statutes, as amended by this act.

4601 Sec. 91. (NEW) (a) A filing office shall refuse to accept a record for  
4602 filing for a reason set forth in subsection (b) of section 87 of this act and  
4603 may refuse to accept a record for filing only for a reason set forth in  
4604 subsection (b) of section 87 of this act.

4605 (b) If a filing office refuses to accept a record for filing, it shall  
4606 communicate to the person that presented the record the fact of and  
4607 reason for the refusal and the date and time the record would have  
4608 been filed had the filing office accepted it. The communication must be  
4609 made at the time and in the manner prescribed by filing-office  
4610 regulation but, in the case of a filing office described in subdivision (2)  
4611 of subsection (a) of section 42a-9-501 of the general statutes, as  
4612 amended by this act, in no event more than five business days after the  
4613 filing office receives the record.

4614 (c) A filed financing statement satisfying subsections (a) and (b) of  
4615 section 42a-9-502 of the general statutes, as amended by this act, is  
4616 effective, even if the filing office is required to refuse to accept it for  
4617 filing under subsection (a). However, section 58 of this act applies to a  
4618 filed financing statement providing information described in  
4619 subdivision (5) of subsection (b) of section 87 of this act which is  
4620 incorrect at the time the financing statement is filed.

4621 (d) If a record communicated to a filing office provides information  
4622 that relates to more than one debtor, sections 42a-9-501 to 42a-9-507,  
4623 inclusive, of the general statutes, as amended by this act, and sections  
4624 79 to 97, inclusive, of this act, apply as to each debtor separately.

4625 Sec. 92. (NEW) A filing office that accepts written records may not  
4626 refuse to accept a written initial financing statement, an amendment to  
4627 a financing statement or other written record in a form and format

4628 prescribed by the Secretary of the State except for a reason set forth in  
4629 subsection (b) of section 87 of this act.

4630 Sec. 93. (NEW) (a) The filing office shall maintain a record of the  
4631 information provided in a filed financing statement for at least one  
4632 year after the effectiveness of the financing statement has lapsed under  
4633 section 86 of this act with respect to all secured parties of record. The  
4634 record must be retrievable by using the name of the debtor and:

4635 (1) If the record was recorded in the filing office described in  
4636 subdivision (1) of subsection (a) of section 42a-9-501 of the general  
4637 statutes, as amended by this act, by using the book and page number  
4638 assigned to the initial financing statement to which the record relates  
4639 or the date and time that the record was recorded; or

4640 (2) If the record was filed in the filing office described in subdivision  
4641 (2) of subsection (a) of section 42a-9-501 of the general statutes, as  
4642 amended by this act, by using the file number assigned to the initial  
4643 financing statement to which the record relates.

4644 (b) Except to the extent that a statute governing disposition of public  
4645 records provides otherwise, the filing office immediately may destroy  
4646 any written record evidencing a financing statement. However, if the  
4647 filing office destroys a written record, it shall maintain another record  
4648 of the financing statement which complies with subsection (a).

4649 Sec. 94. (NEW) (a) If a person that files a written record requests an  
4650 acknowledgment of the filing, the filing office, in the case of a filing  
4651 office described in subdivision (2) of subsection (a) of section 42a-9-501  
4652 of the general statutes, as amended by this act, shall send to the person  
4653 an acknowledgment of the filing of the record showing the number  
4654 assigned to the record pursuant to subdivision (1) of subsection (a) of  
4655 section 90 of this act and the date and time of the filing of the record  
4656 and, in the case of a filing office described in subdivision (1) of  
4657 subsection (a) of section 42a-9-501 of the general statutes, as amended

4658 by this act, shall send to the person an acknowledgment of the filing of  
4659 the record showing the book and page number and the date and time  
4660 of the filing of the record.

4661 (b) If a person files a record other than a written record, the filing  
4662 office shall communicate to the person an acknowledgment that  
4663 provides:

4664 (1) The information in the record;

4665 (2) In the case of a filing office described in subdivision (2) of  
4666 subsection (a) of section 42a-9-501 of the general statutes, as amended  
4667 by this act, the number assigned to the record pursuant to subdivision  
4668 (1) of subsection (a) of section 90 of this act or, in the case of a filing  
4669 office described in subdivision (1) of subsection (a) of section 42a-9-501  
4670 of the general statutes, as amended by this act, the book and page  
4671 number assigned to the record; and

4672 (3) The date and time of the filing of the record.

4673 (c) The filing office shall communicate or otherwise make available  
4674 in a record the following information to any person that requests it:

4675 (1) Whether there is on file on a date and time specified by the filing  
4676 office, but not a date earlier than six business days before the filing  
4677 office receives the request, any financing statement that:

4678 (A) Designates a particular debtor;

4679 (B) Has not lapsed under section 86 of this act with respect to all  
4680 secured parties of record; and

4681 (C) If the request so states, has lapsed under section 86 of this act  
4682 and a record of which is maintained by the filing office under  
4683 subsection (a) of section 93 of this act;

4684 (2) The date and time of filing of each financing statement; and

4685 (3) The information provided in each financing statement except  
4686 information as to collateral.

4687 (d) In complying with its duty under subsection (c), the filing office  
4688 may communicate information in any medium. However, if requested,  
4689 the filing office shall communicate information by issuing its written  
4690 certificate.

4691 (e) The filing office described in subdivision (2) of subsection (a) of  
4692 section 42a-9-501 of the general statutes, as amended by this act, shall  
4693 perform the acts required by subsections (a) to (d), inclusive, at the  
4694 time and in the manner prescribed by filing-office regulation, but not  
4695 later than five business days after the filing office receives the request.

4696 (f) At least monthly, the Secretary of the State shall offer to sell or  
4697 license to the public on a nonexclusive basis, in bulk, copies of all  
4698 records filed in it under sections 42a-9-501 to 42a-9-507, inclusive, of  
4699 the general statutes, as amended by this act, and sections 79 to 97,  
4700 inclusive, of this act, in every medium from time to time available to  
4701 the filing office described in subdivision (2) of subsection (a) of section  
4702 42a-9-501 of the general statutes, as amended by this act.

4703 Sec. 95. (NEW) Delay by the filing office beyond a time limit  
4704 prescribed by sections 42a-9-501 to 42a-9-507, inclusive, of the general  
4705 statutes, as amended by this act, and sections 79 to 97, inclusive, of this  
4706 act, is excused if:

4707 (1) The delay is caused by interruption of communication or  
4708 computer facilities, war, emergency conditions, failure of equipment or  
4709 other circumstances beyond control of the filing office; and

4710 (2) The filing office exercises reasonable diligence under the  
4711 circumstances.

4712 Sec. 96. (NEW) (a) The Secretary of the State shall charge and collect  
4713 the following uniform fee: For filing and indexing an initial financing

4714 statement, a correction statement or an amendment, twenty-five  
4715 dollars. No fee shall be charged (1) to the state when the initial  
4716 financing statement, correction statement or amendment is filed by or  
4717 at the request of the Attorney General or an assistant attorney general  
4718 or by a duly authorized official of the state or any of its agencies,  
4719 boards or commissions acting in an official capacity, or (2) to a  
4720 municipality when the initial financing statement, correction statement  
4721 or amendment is filed by a tax collector or other municipal officer of  
4722 such municipality pursuant to the provisions of sections 12-195a to 12-  
4723 195g, inclusive, of the general statutes, as amended by this act, or (3)  
4724 for any filing accomplished solely by electronic means and without the  
4725 physical submission of any document, instrument or paper, in  
4726 accordance with a plan approved by the Secretary of the State.

4727 (b) The uniform fee for responding to a request for information from  
4728 the filing office, including issuing a certificate showing whether there  
4729 is on file, on the date and hour stated therein, any financing statement  
4730 naming a particular debtor and any amendment thereof and, if there is,  
4731 giving the date and hour of filing such amendment and the name and  
4732 address of each secured party named therein, is twenty-five dollars.  
4733 Upon request, the filing officer shall furnish a photographic or  
4734 electronic copy of any filed financing statement or amendment for a  
4735 uniform fee of twenty dollars regardless of the number of pages and  
4736 affix such filing officer's certification and official seal thereto for a fee  
4737 of five dollars. No fee shall be charged to the state when a certificate  
4738 showing whether there is on file, on the date and hour stated therein,  
4739 any presently effective financing statement naming a particular debtor  
4740 and any amendment thereof, is requested by the Attorney General or  
4741 an assistant attorney general or by an authorized official of the state or  
4742 any of its agencies, boards or commissions acting in an official  
4743 capacity, and no fee shall be charged to a municipality when such  
4744 certificate is requested by the tax collector or other municipal officer of  
4745 such municipality pursuant to the provisions of sections 12-195a to 12-  
4746 195g, inclusive, of the general statutes, as amended by this act.



4747 (c) This section does not require a fee with respect to a record of a  
4748 mortgage which is effective as a financing statement filed as a fixture  
4749 filing or as a financing statement covering as-extracted collateral or  
4750 timber to be cut under subsection (c) of section 42a-9-502 of the general  
4751 statutes, as amended by this act. However, the recording and  
4752 satisfaction fees that otherwise would be applicable to the record of the  
4753 mortgage apply.

4754 Sec. 97. (NEW) The Secretary of the State shall adopt regulations in  
4755 accordance with the provisions of chapter 54 of the general statutes to  
4756 implement this article.

4757 Sec. 98. (NEW) (a) After default, a secured party has the rights  
4758 provided in sections 98 to 125, inclusive, of this act and, except as  
4759 otherwise provided in section 99 of this act, those provided by  
4760 agreement of the parties. A secured party:

4761 (1) May reduce a claim to judgment, foreclose or otherwise enforce  
4762 the claim, security interest or agricultural lien by any available judicial  
4763 procedure; and

4764 (2) If the collateral is documents, may proceed either as to the  
4765 documents or as to the goods they cover.

4766 (b) A secured party in possession of collateral or control of collateral  
4767 under section 42a-9-104, 42a-9-105, 42a-9-106 or 42a-9-107 of the  
4768 general statutes, as amended by this act, has the rights and duties  
4769 provided in section 42a-9-207 of the general statutes, as amended by  
4770 this act.

4771 (c) The rights under subsections (a) and (b) are cumulative and,  
4772 except as may otherwise be prohibited under other law in a consumer  
4773 transaction, may be exercised simultaneously.

4774 (d) Except as otherwise provided in subsection (g) and section 102  
4775 of this act, after default, a debtor and an obligor have the rights

4776 provided in sections 98 to 125, inclusive, of this act and by agreement  
4777 of the parties.

4778 (e) If a secured party has reduced its claim to judgment, the lien of  
4779 any levy that may be made upon the collateral by virtue of an  
4780 execution based upon the judgment relates back to the earliest of:

4781 (1) The date of perfection of the security interest or agricultural lien  
4782 in the collateral;

4783 (2) The date of filing a financing statement covering the collateral; or

4784 (3) Any date specified in a statute under which the agricultural lien  
4785 was created.

4786 (f) A sale pursuant to an execution is a foreclosure of the security  
4787 interest or agricultural lien by judicial procedure within the meaning  
4788 of this section. A secured party may purchase at the sale and  
4789 thereafter hold the collateral free of any other requirements of this  
4790 article.

4791 (g) Except as otherwise provided in subsection (c) of section 104 of  
4792 this act, sections 98 to 125, inclusive, of this act, impose no duties upon  
4793 a secured party that is a consignor or is a buyer of accounts, chattel  
4794 paper, payment intangibles or promissory notes.

4795 Sec. 99. (NEW) Except as otherwise provided in section 121 of this  
4796 act, to the extent that they give rights to a debtor or obligor and impose  
4797 duties on a secured party, the debtor or obligor may not waive or vary  
4798 the rules stated in the following listed sections:

4799 (1) Subparagraph (C) of subdivision (4) of subsection (b) of section  
4800 42a-9-207 of the general statutes, as amended by this act, which deals  
4801 with use and operation of the collateral by the secured party;

4802 (2) Section 20 of this act, which deals with requests for an

4803 accounting and requests concerning a list of collateral and statement of  
4804 account;

4805 (3) Subsection (c) of section 104 of this act, which deals with  
4806 collection and enforcement of collateral;

4807 (4) Subsection (a) of section 105 of this act and subsection (c) of  
4808 section 112 of this act to the extent that they deal with application or  
4809 payment of noncash proceeds of collection, enforcement or disposition;

4810 (5) Subsection (a) of section 105 of this act and subsection (d) of  
4811 section 112 of this act to the extent that they require accounting for or  
4812 payment of surplus proceeds of collateral;

4813 (6) Section 106 of this act to the extent that it imposes upon a  
4814 secured party that takes possession of collateral without judicial  
4815 process the duty to do so without breach of the peace;

4816 (7) Subsection (b) of section 107 of this act and sections 108, 110 and  
4817 111 of this act, which deal with disposition of collateral;

4818 (8) Subsection (f) of section 112 of this act, which deals with  
4819 calculation of a deficiency or surplus when a disposition is made to the  
4820 secured party, a person related to the secured party, or a secondary  
4821 obligor;

4822 (9) Section 113 of this act, which deals with explanation of the  
4823 calculation of a surplus or deficiency;

4824 (10) Sections 117, 118 and 119 of this act, which deal with acceptance  
4825 of collateral in satisfaction of obligation;

4826 (11) Section 120 of this act, which deals with redemption of  
4827 collateral;

4828 (12) Section 121 of this act, which deals with permissible waivers;  
4829 and

4830 (13) Sections 122 and 123 of this act, which deal with the secured  
4831 party's liability for failure to comply with this article.

4832 Sec. 100. (NEW) (a) The parties may determine by agreement the  
4833 standards measuring the fulfillment of the rights of a debtor or obligor  
4834 and the duties of a secured party under a rule stated in section 99 of  
4835 this act if the standards are not manifestly unreasonable or, in the case  
4836 of a consumer transaction, if the standards are not unreasonable.

4837 (b) Subsection (a) does not apply to the duty under section 106 of  
4838 this act to refrain from breaching the peace.

4839 Sec. 101. (NEW) (a) If a security agreement covers both personal and  
4840 real property, a secured party may proceed:

4841 (1) Under sections 98 to 125, inclusive, of this act, as to the personal  
4842 property without prejudicing any rights with respect to the real  
4843 property; or

4844 (2) As to both the personal property and the real property in  
4845 accordance with the rights with respect to the real property, in which  
4846 case the other provisions of sections 98 to 125, inclusive, of this act, do  
4847 not apply.

4848 (b) Subject to subsection (c), if a security agreement covers goods  
4849 that are or become fixtures, a secured party may proceed:

4850 (1) Under sections 98 to 125, inclusive, of this act, or

4851 (2) In accordance with the rights with respect to real property, in  
4852 which case the other provisions of sections 98 to 125, inclusive, of this  
4853 act, do not apply.

4854 (c) Subject to the other provisions of sections 98 to 125, inclusive, of  
4855 this act, if a secured party holding a security interest in fixtures has  
4856 priority over all owners and encumbrancers of the real property, the

4857 secured party, after default, may remove the collateral from the real  
4858 property.

4859 (d) A secured party that removes collateral shall promptly  
4860 reimburse any encumbrancer or owner of the real property for the cost  
4861 of repair of any physical injury caused by the removal. The secured  
4862 party need not reimburse the encumbrancer or owner for any  
4863 diminution in value of the real property caused by the absence of the  
4864 goods removed or by any necessity of replacing them. A person  
4865 entitled to reimbursement, other than the debtor, may refuse  
4866 permission to remove until the secured party gives adequate assurance  
4867 for the performance of the obligation to reimburse.

4868 Sec. 102. (NEW) (a) A secured party does not owe a duty based on  
4869 its status as secured party:

4870 (1) To a person that is a debtor or obligor, unless the secured party  
4871 knows:

4872 (A) That the person is a debtor or obligor;

4873 (B) The identity of the person; and

4874 (C) How to communicate with the person; or

4875 (2) To a secured party or lienholder that has filed a financing  
4876 statement against a person, unless the secured party knows:

4877 (A) That the person is a debtor; and

4878 (B) The identity of the person.

4879 (b) What the secured party knows is to be determined in the light of  
4880 the good faith obligations of the secured party.

4881 Sec. 103. (NEW) For purposes of sections 98 to 125, inclusive, of this  
4882 act, a default occurs in connection with an agricultural lien at the time

4883 the secured party becomes entitled to enforce the lien in accordance  
4884 with the statute under which it was created.

4885 Sec. 104. (NEW) (a) If so agreed, and in any event after default, a  
4886 secured party:

4887 (1) May notify an account debtor or other person obligated on  
4888 collateral to make payment or otherwise render performance to or for  
4889 the benefit of the secured party;

4890 (2) May take any proceeds to which the secured party is entitled  
4891 under section 42a-9-315 of the general statutes, as amended by this act;

4892 (3) May enforce the obligations of an account debtor or other person  
4893 obligated on collateral and exercise the rights of the debtor with  
4894 respect to the obligation of the account debtor or other person  
4895 obligated on collateral to make payment or otherwise render  
4896 performance to the debtor, and with respect to any property that  
4897 secures the obligations of the account debtor or other person obligated  
4898 on the collateral;

4899 (4) If it holds a security interest in a deposit account perfected by  
4900 control under subdivision (1) of subsection (a) of section 42a-9-104 of  
4901 the general statutes, as amended by this act, may apply the balance of  
4902 the deposit account to the obligation secured by the deposit account;  
4903 and

4904 (5) If it holds a security interest in a deposit account perfected by  
4905 control under subdivision (2) or (3) of subsection (a) of section 42a-9-  
4906 104 of the general statutes, as amended by this act, may instruct the  
4907 bank to pay the balance of the deposit account to or for the benefit of  
4908 the secured party.

4909 (b) If necessary to enable a secured party to exercise under  
4910 subdivision (3) of subsection (a) of this section the right, if any, of a  
4911 debtor to enforce a mortgage nonjudicially, the secured party may

4912 record in the office in which a record of the mortgage is recorded:

4913 (1) A copy of the security agreement that creates or provides for a  
4914 security interest in the obligation secured by the mortgage; and

4915 (2) The secured party's sworn affidavit in recordable form stating  
4916 that:

4917 (A) A default has occurred; and

4918 (B) The secured party is entitled to enforce the mortgage  
4919 nonjudicially.

4920 (c) A secured party shall proceed in a commercially reasonable  
4921 manner if the secured party:

4922 (1) Undertakes to collect from or enforce an obligation of an account  
4923 debtor or other person obligated on collateral; and

4924 (2) Is entitled to charge back uncollected collateral or otherwise to  
4925 full or limited recourse against the debtor or a secondary obligor.

4926 (d) A secured party may deduct from the collections made pursuant  
4927 to subsection (c) reasonable expenses of collection and enforcement,  
4928 including reasonable attorney's fees and legal expenses incurred by the  
4929 secured party.

4930 (e) This section does not determine whether an account debtor, bank  
4931 or other person obligated on collateral owes a duty to a secured party.

4932 Sec. 105. (NEW) (a) If a security interest or agricultural lien secures  
4933 payment or performance of an obligation, the following rules apply:

4934 (1) A secured party shall apply or pay over for application the cash  
4935 proceeds of collection or enforcement under section 104 of this act in  
4936 the following order to:

4937 (A) The reasonable expenses of collection and enforcement and, to  
4938 the extent provided for by agreement and not prohibited by law,  
4939 reasonable attorney's fees and legal expenses incurred by the secured  
4940 party;

4941 (B) The satisfaction of obligations secured by the security interest or  
4942 agricultural lien under which the collection or enforcement is made;  
4943 and

4944 (C) The satisfaction of obligations secured by any subordinate  
4945 security interest in or other lien on the collateral subject to the security  
4946 interest or agricultural lien under which the collection or enforcement  
4947 is made if the secured party receives an authenticated demand for  
4948 proceeds before distribution of the proceeds is completed.

4949 (2) If requested by a secured party, a holder of a subordinate  
4950 security interest or other lien shall furnish reasonable proof of the  
4951 interest or lien within a reasonable time. Unless the holder complies,  
4952 the secured party need not comply with the holder's demand under  
4953 subparagraph (C) of subdivision (1) of this subsection.

4954 (3) A secured party need not apply or pay over for application  
4955 noncash proceeds of collection and enforcement under section 104 of  
4956 this act unless the failure to do so would be commercially  
4957 unreasonable. A secured party that applies or pays over for application  
4958 noncash proceeds shall do so in a commercially reasonable manner.

4959 (4) A secured party shall account to and pay a debtor for any  
4960 surplus, and the obligor is liable for any deficiency.

4961 (b) If the underlying transaction is a sale of accounts, chattel paper,  
4962 payment intangibles or promissory notes, the debtor is not entitled to  
4963 any surplus, and the obligor is not liable for any deficiency.

4964 Sec. 106. (NEW) (a) After default, a secured party:



- 4965 (1) May take possession of the collateral;
- 4966 (2) Without removal, may render equipment unusable and dispose  
4967 of collateral on a debtor's premises under section 107 of this act.
- 4968 (b) A secured party may proceed under subsection (a):
- 4969 (1) Pursuant to judicial process; or
- 4970 (2) Without judicial process, if it proceeds without breach of the  
4971 peace.
- 4972 (c) If so agreed, and in any event after default, a secured party may  
4973 require the debtor to assemble the collateral and make it available to  
4974 the secured party at a place to be designated by the secured party  
4975 which is reasonably convenient to both parties.
- 4976 (d) (1) In this subsection, "electronic self-help" means the use of  
4977 electronic means to exercise a secured party's rights pursuant to  
4978 sections 98 to 125, inclusive, of this act, with respect to the security  
4979 agreement, and "electronic" means relating to technology that has  
4980 electrical, digital, magnetic or wireless optical electromagnetic  
4981 properties or similar capabilities.
- 4982 (2) Electronic self-help is permitted only if the debtor separately  
4983 agrees to a term of the security agreement authorizing electronic self-  
4984 help that requires notice of exercise as provided in subdivision (3) of  
4985 this subsection.
- 4986 (3) Before resorting to electronic self-help authorized by a term of  
4987 the security agreement, the secured party shall give notice to the  
4988 debtor stating:
- 4989 (i) That the secured party intends to resort to electronic self-help as a  
4990 remedy on or after fifteen days following communication of the notice  
4991 to the debtor;

4992 (ii) The nature of the claimed breach which entitled the secured  
4993 party to resort to self-help; and

4994 (iii) The name, title, address and telephone number of a person  
4995 representing the secured party with whom the debtor may  
4996 communicate concerning the security interest.

4997 (4) A debtor may recover direct and incidental damages caused by  
4998 wrongful use of electronic self-help. The debtor may also recover  
4999 consequential damages for wrongful use of electronic self-help even if  
5000 such damages are excluded by the terms of the security agreement.

5001 (5) Even if the secured party complies with subdivisions (2) and (3)  
5002 of this subsection, electronic self-help may not be used if the secured  
5003 party has reason to know that its use will result in substantial injury or  
5004 harm to the public health or safety or grave harm to the public interest  
5005 substantially affecting third parties not involved in the dispute.

5006 Sec. 107. (NEW) (a) After default, a secured party may sell, lease,  
5007 license or otherwise dispose of any or all of the collateral in its present  
5008 condition or following any commercially reasonable preparation or  
5009 processing.

5010 (b) Every aspect of a disposition of collateral, including the method,  
5011 manner, time, place and other terms, must be commercially  
5012 reasonable. If commercially reasonable, a secured party may dispose  
5013 of collateral by public or private proceedings, by one or more  
5014 contracts, as a unit or in parcels, and at any time and place and on any  
5015 terms.

5016 (c) A secured party may purchase collateral:

5017 (1) At a public disposition; or

5018 (2) At a private disposition only if the collateral is of a kind that is  
5019 customarily sold on a recognized market or the subject of widely

5020 distributed standard price quotations.

5021 (d) A contract for sale, lease, license or other disposition includes  
5022 the warranties relating to title, possession, quiet enjoyment and the like  
5023 which by operation of law accompany a voluntary disposition of  
5024 property of the kind subject to the contract.

5025 (e) A secured party may disclaim or modify warranties under  
5026 subsection (d):

5027 (1) In a manner that would be effective to disclaim or modify the  
5028 warranties in a voluntary disposition of property of the kind subject to  
5029 the contract of disposition; or

5030 (2) By communicating to the purchaser a record evidencing the  
5031 contract for disposition and including an express disclaimer or  
5032 modification of the warranties.

5033 (f) A record is sufficient to disclaim warranties under subsection (e)  
5034 if it indicates "There is no warranty relating to title, possession, quiet  
5035 enjoyment or the like in this disposition" or uses words of similar  
5036 import.

5037 Sec. 108. (NEW) (a) In this section, "notification date" means the  
5038 earlier of the date on which:

5039 (1) A secured party sends to the debtor and any secondary obligor  
5040 an authenticated notification of disposition; or

5041 (2) The debtor and any secondary obligor waive the right to  
5042 notification.

5043 (b) Except as otherwise provided in subsection (d), a secured party  
5044 that disposes of collateral under section 107 of this act shall send to the  
5045 persons specified in subsection (c) a reasonable authenticated  
5046 notification of disposition.

5047 (c) To comply with subsection (b), the secured party shall send an  
5048 authenticated notification of disposition to:

5049 (1) The debtor;

5050 (2) Any secondary obligor; and

5051 (3) If the collateral is other than consumer goods:

5052 (A) Any other person from which the secured party has received,  
5053 before the notification date, an authenticated notification of a claim of  
5054 an interest in the collateral;

5055 (B) Any other secured party or lienholder that, ten days before the  
5056 notification date, held a security interest in or other lien on the  
5057 collateral perfected by the filing of a financing statement that:

5058 (i) Identified the collateral;

5059 (ii) Was indexed under the debtor's name as of that date; and

5060 (iii) Was filed in the office in which to file a financing statement  
5061 against the debtor covering the collateral as of that date; and

5062 (C) Any other secured party that, ten days before the notification  
5063 date, held a security interest in the collateral perfected by compliance  
5064 with a statute, regulation or treaty described in subsection (a) of  
5065 section 42a-9-311 of the general statutes, as amended by this act.

5066 (d) Subsection (b) does not apply if the collateral is perishable or  
5067 threatens to decline speedily in value or is of a type customarily sold  
5068 on a recognized market.

5069 (e) A secured party complies with the requirement for notification  
5070 prescribed by subparagraph (B) of subdivision (3) of subsection (c) of  
5071 this section if:

5072 (1) Not later than twenty days or earlier than thirty days before the  
5073 notification date, the secured party requests, in a commercially  
5074 reasonable manner, information concerning financing statements  
5075 indexed under the debtor's name in the office indicated in  
5076 subparagraph (B) of subdivision (3) of subsection (c) of this section;  
5077 and

5078 (2) Before the notification date, the secured party:

5079 (A) Did not receive a response to the request for information; or

5080 (B) Received a response to the request for information and sent an  
5081 authenticated notification of disposition to each secured party or other  
5082 lienholder named in that response whose financing statement covered  
5083 the collateral.

5084 Sec. 109. (NEW) (a) Except as otherwise provided in subsection (b),  
5085 whether a notification is sent within a reasonable time is a question of  
5086 fact.

5087 (b) In a transaction other than a consumer transaction, a notification  
5088 of disposition sent after default and ten days or more before the  
5089 earliest time of disposition set forth in the notification is sent within a  
5090 reasonable time before the disposition.

5091 Sec. 110. (NEW) Except in a consumer-goods transaction, the  
5092 following rules apply:

5093 (1) The contents of a notification of disposition are sufficient if the  
5094 notification:

5095 (A) Describes the debtor and the secured party;

5096 (B) Describes the collateral that is the subject of the intended  
5097 disposition;

5098 (C) States the method of intended disposition;

5099 (D) States that the debtor is entitled to an accounting of the unpaid  
5100 indebtedness and states the charge, if any, for an accounting; and

5101 (E) States the time and place of a public disposition or the time after  
5102 which any other disposition is to be made.

5103 (2) Whether the contents of a notification that lacks any of the  
5104 information specified in subdivision (1) are nevertheless sufficient is a  
5105 question of fact.

5106 (3) The contents of a notification providing substantially the  
5107 information specified in subdivision (1) are sufficient, even if the  
5108 notification includes:

5109 (A) Information not specified by that subdivision; or

5110 (B) Minor errors that are not seriously misleading.

5111 (4) A particular phrasing of the notification is not required.

5112 (5) The following form of notification and the form appearing in  
5113 subdivision (3) of section 111 of this act, when completed, each  
5114 provides sufficient information:

5115 NOTIFICATION OF DISPOSITION OF COLLATERAL

5116 To: .... (Name of debtor, obligor or other person to which the  
5117 notification is sent)

5118 From: ... (Name, address and telephone number of secured party)

5119 Name of Debtor(s): .... (Include only if debtor(s) are not an  
5120 addressee)

5121 (For a public disposition:)

5122 We will sell (or lease or license, as applicable) the .... (describe  
5123 collateral) (to the highest qualified bidder) in public as follows:

5124 Day and Date: ....

5125 Time: ....

5126 Place: ....

5127 (For a private disposition:)

5128 We will sell (or lease or license, as applicable) the .... (describe  
5129 collateral) privately sometime after .... (day and date).

5130 You are entitled to an accounting of the unpaid indebtedness  
5131 secured by the property that we intend to sell (or lease or license, as  
5132 applicable) (for a charge of \$ ..... ) You may request an accounting by  
5133 calling us at .... (telephone number).

5134 Sec. 111. (NEW) In a consumer-goods transaction, the following  
5135 rules apply:

5136 (1) A notification of disposition must provide the following  
5137 information:

5138 (A) The information specified in subdivision (1) of section 110 of this  
5139 act;

5140 (B) A description of any liability for a deficiency of the person to  
5141 which the notification is sent;

5142 (C) A telephone number from which the amount that must be paid  
5143 to the secured party to redeem the collateral under section 120 of this  
5144 act is available; and

5145 (D) A telephone number or mailing address from which additional  
5146 information concerning the disposition and the obligation secured is  
5147 available.

5148 (2) A particular phrasing of the notification is not required.

5149       (3) The following form of notification, when completed, provides  
5150 sufficient information:

5151       (Name and address of secured party.)

5152       (Date)

5153                               NOTICE OF OUR PLAN TO SELL PROPERTY

5154       .... (Name and address of any obligor who is also a debtor.)

5155       Subject: .... (Identification of transaction)

5156       We have your .... (describe collateral), because you broke promises  
5157 in our agreement.

5158       (For a public disposition:)

5159       We will sell .... (describe collateral) at public sale. A sale could  
5160 include a lease or license. The sale will be held as follows:

5161       Date: ....

5162       Time: ....

5163       Place: ....

5164       You may attend the sale and bring bidders if you want.

5165       (For a private disposition:)

5166       We will sell .... (describe collateral) at private sale sometime after  
5167 .... (date). A sale could include a lease or license.

5168       The money that we get from the sale (after paying our costs) will  
5169 reduce the amount you owe. If we get less money than you owe, you  
5170 (will or will not, as applicable) still owe us the difference. If we get  
5171 more money than you owe, you will get the extra money, unless we



5172 must pay it to someone else.

5173       You can get the property back at any time before we sell it by  
5174 paying us the full amount you owe (not just the past due payments),  
5175 including our expenses. To learn the exact amount you must pay, call  
5176 us at .... (telephone number).

5177       If you want us to explain to you in writing how we have figured the  
5178 amount that you owe us, you may call us at .... (telephone number) or  
5179 write us at .... (secured party's address) and request a written  
5180 explanation. (We will charge you \$.... for the explanation if we sent  
5181 you another written explanation of the amount you owe us within the  
5182 last six months.)

5183       If you need more information about the sale call us at .... (telephone  
5184 number) or write us at .... (secured party's address).

5185       We are sending this notice to the following other people who have  
5186 an interest in .... (describe collateral) or who owe money under your  
5187 agreement:

5188       .... (Names of all other debtors and obligors, if any.)

5189       (4) A notification in the form of subdivision (3) is sufficient, even if  
5190 additional information appears at the end of the form.

5191       (5) A notification in the form of subdivision (3) is sufficient, even if  
5192 it includes errors in information not required by subdivision (1), unless  
5193 the error is misleading with respect to rights arising under this article.

5194       (6) If a notification under this section is not in the form of  
5195 subdivision (3), law other than this article determines the effect of  
5196 including information not required by subdivision (1).

5197       Sec. 112. (NEW) (a) A secured party shall apply or pay over for  
5198 application the cash proceeds of disposition under section 107 of this

5199 act in the following order to:

5200 (1) The reasonable expenses of retaking, holding, preparing for  
5201 disposition, processing and disposing, and, to the extent provided for  
5202 by agreement and not prohibited by law, reasonable attorney's fees  
5203 and legal expenses incurred by the secured party;

5204 (2) The satisfaction of obligations secured by the security interest or  
5205 agricultural lien under which the disposition is made;

5206 (3) The satisfaction of obligations secured by any subordinate  
5207 security interest in or other subordinate lien on the collateral if:

5208 (A) The secured party receives from the holder of the subordinate  
5209 security interest or other lien an authenticated demand for proceeds  
5210 before distribution of the proceeds is completed; and

5211 (B) In a case in which a consignor has an interest in the collateral,  
5212 the subordinate security interest or other lien is senior to the interest of  
5213 the consignor; and

5214 (4) A secured party that is a consignor of the collateral if the secured  
5215 party receives from the consignor an authenticated demand for  
5216 proceeds before distribution of the proceeds is completed.

5217 (b) If requested by a secured party, a holder of a subordinate  
5218 security interest or other lien shall furnish reasonable proof of the  
5219 interest or lien within a reasonable time. Unless the holder does so, the  
5220 secured party need not comply with the holder's demand under  
5221 subdivision (3) of subsection (a) of this section.

5222 (c) A secured party need not apply or pay over for application  
5223 noncash proceeds of disposition under section 107 of this act unless the  
5224 failure to do so would be commercially unreasonable. A secured party  
5225 that applies or pays over for application noncash proceeds shall do so  
5226 in a commercially reasonable manner.

5227 (d) If the security interest under which a disposition is made secures  
5228 payment or performance of an obligation, after making the payments  
5229 and applications required by subsection (a) and permitted by  
5230 subsection (c):

5231 (1) Unless subdivision (4) of subsection (a) of this section requires  
5232 the secured party to apply or pay over cash proceeds to a consignor,  
5233 the secured party shall account to and pay a debtor for any surplus;  
5234 and

5235 (2) The obligor is liable for any deficiency.

5236 (e) If the underlying transaction is a sale of accounts, chattel paper,  
5237 payment intangibles or promissory notes:

5238 (1) The debtor is not entitled to any surplus; and

5239 (2) The obligor is not liable for any deficiency.

5240 (f) The surplus or deficiency following a disposition is calculated  
5241 based on the amount of proceeds that would have been realized in a  
5242 disposition complying with sections 98 to 125, inclusive, of this act, to a  
5243 transferee other than the secured party, a person related to the secured  
5244 party or a secondary obligor if:

5245 (1) The transferee in the disposition is the secured party, a person  
5246 related to the secured party or a secondary obligor; and

5247 (2) The amount of proceeds of the disposition is significantly below  
5248 the range of proceeds that a complying disposition to a person other  
5249 than the secured party, a person related to the secured party or a  
5250 secondary obligor would have brought.

5251 (g) A secured party that receives cash proceeds of a disposition in  
5252 good faith and without knowledge that the receipt violates the rights  
5253 of the holder of a security interest or other lien that is not subordinate

5254 to the security interest or agricultural lien under which the disposition  
5255 is made:

5256 (1) Takes the cash proceeds free of the security interest or other lien;

5257 (2) Is not obligated to apply the proceeds of the disposition to the  
5258 satisfaction of obligations secured by the security interest or other lien;  
5259 and

5260 (3) Is not obligated to account to or pay the holder of the security  
5261 interest or other lien for any surplus.

5262 Sec. 113. (NEW) (a) In this section:

5263 (1) "Explanation" means a writing that:

5264 (A) States the amount of the surplus or deficiency;

5265 (B) Provides an explanation in accordance with subsection (c) of  
5266 how the secured party calculated the surplus or deficiency;

5267 (C) States, if applicable, that future debits, credits, charges,  
5268 including additional credit service charges or interest, rebates and  
5269 expenses may affect the amount of the surplus or deficiency; and

5270 (D) Provides a telephone number or mailing address from which  
5271 additional information concerning the transaction is available.

5272 (2) "Request" means a record:

5273 (A) Authenticated by a debtor or consumer obligor;

5274 (B) Requesting that the recipient provide an explanation; and

5275 (C) Sent after disposition of the collateral under section 107 of this  
5276 act.

5277 (b) In a consumer-goods transaction in which the debtor is entitled

5278 to a surplus or a consumer obligor is liable for a deficiency under  
5279 section 112 of this act, the secured party shall:

5280 (1) Send an explanation to the debtor or consumer obligor, as  
5281 applicable, after the disposition and:

5282 (A) Before or when the secured party accounts to the debtor and  
5283 pays any surplus or first makes written demand on the consumer  
5284 obligor after the disposition for payment of the deficiency; and

5285 (B) Within fourteen days after receipt of a request; or

5286 (2) In the case of a consumer obligor who is liable for a deficiency,  
5287 within fourteen days after receipt of a request, send to the consumer  
5288 obligor a record waiving the secured party's right to a deficiency.

5289 (c) To comply with subparagraph (B) of subdivision (1) of  
5290 subsection (a) of this section, a writing must provide the following  
5291 information in the following order:

5292 (1) The aggregate amount of obligations secured by the security  
5293 interest under which the disposition was made, and, if the amount  
5294 reflects a rebate of unearned interest or credit service charge, an  
5295 indication of that fact, calculated as of a specified date:

5296 (A) If the secured party takes or receives possession of the collateral  
5297 after default, not more than thirty-five days before the secured party  
5298 takes or receives possession; or

5299 (B) If the secured party takes or receives possession of the collateral  
5300 before default or does not take possession of the collateral, not more  
5301 than thirty-five days before the disposition;

5302 (2) The amount of proceeds of the disposition;

5303 (3) The aggregate amount of the obligations after deducting the  
5304 amount of proceeds;

5305 (4) The amount, in the aggregate or by type, and types of expenses,  
5306 including expenses of retaking, holding, preparing for disposition,  
5307 processing and disposing of the collateral, and attorney's fees secured  
5308 by the collateral which are known to the secured party and relate to  
5309 the current disposition;

5310 (5) The amount, in the aggregate or by type, and types of credits,  
5311 including rebates of interest or credit service charges, to which the  
5312 obligor is known to be entitled and which are not reflected in the  
5313 amount in subdivision (1); and

5314 (6) The amount of the surplus or deficiency.

5315 (d) A particular phrasing of the explanation is not required. An  
5316 explanation complying substantially with the requirements of  
5317 subsection (a) is sufficient, even if it includes minor errors that are not  
5318 seriously misleading.

5319 (e) A debtor or consumer obligor is entitled without charge to one  
5320 response to a request under this section during any six-month period  
5321 in which the secured party did not send to the debtor or consumer  
5322 obligor an explanation pursuant to subdivision (1) of subsection (b) of  
5323 this section. The secured party may require payment of a charge not  
5324 exceeding twenty-five dollars for each additional response.

5325 Sec. 114. (NEW) (a) A secured party's disposition of collateral after  
5326 default:

5327 (1) Transfers to a transferee for value all of the debtor's rights in the  
5328 collateral;

5329 (2) Discharges the security interest under which the disposition is  
5330 made; and

5331 (3) Discharges any subordinate security interest or other  
5332 subordinate lien.

5333 (b) A transferee that acts in good faith takes free of the rights and  
5334 interests described in subsection (a), even if the secured party fails to  
5335 comply with this article or the requirements of any judicial proceeding.

5336 (c) If a transferee does not take free of the rights and interests  
5337 described in subsection (a), the transferee takes the collateral subject to:

5338 (1) The debtor's rights in the collateral;

5339 (2) The security interest or agricultural lien under which the  
5340 disposition is made; and

5341 (3) Any other security interest or other lien.

5342 Sec. 115. (NEW) (a) A secondary obligor acquires the rights and  
5343 becomes obligated to perform the duties of the secured party after the  
5344 secondary obligor:

5345 (1) Receives an assignment of a secured obligation from the secured  
5346 party;

5347 (2) Receives a transfer of collateral from the secured party and  
5348 agrees to accept the rights and assume the duties of the secured party;  
5349 or

5350 (3) Is subrogated to the rights of a secured party with respect to  
5351 collateral.

5352 (b) An assignment, transfer or subrogation described in subsection  
5353 (a):

5354 (1) Is not a disposition of collateral under section 107 of this act; and

5355 (2) Relieves the secured party of further duties under this article.

5356 Sec. 116. (NEW) (a) In this section, "transfer statement" means a  
5357 record authenticated by a secured party stating:

5358 (1) That the debtor has defaulted in connection with an obligation  
5359 secured by specified collateral;

5360 (2) That the secured party has exercised its post-default remedies  
5361 with respect to the collateral;

5362 (3) That, by reason of the exercise, a transferee has acquired the  
5363 rights of the debtor in the collateral; and

5364 (4) The name and mailing address of the secured party, debtor and  
5365 transferee.

5366 (b) A transfer statement entitles the transferee to the transfer of  
5367 record of all rights of the debtor in the collateral specified in the  
5368 statement in any official filing, recording, registration or certificate-of-  
5369 title system covering the collateral. If a transfer statement is presented  
5370 with the applicable fee and request form to the official or office  
5371 responsible for maintaining the system, the official or office shall:

5372 (1) Accept the transfer statement;

5373 (2) Promptly amend its records to reflect the transfer; and

5374 (3) If applicable, issue a new appropriate certificate of title in the  
5375 name of the transferee.

5376 (c) A transfer of the record or legal title to collateral to a secured  
5377 party under subsection (b) or otherwise is not of itself a disposition of  
5378 collateral under this article and does not of itself relieve the secured  
5379 party of its duties under this article.

5380 Sec. 117. (NEW) (a) Except as otherwise provided in subsection (g),  
5381 a secured party may accept collateral in full or partial satisfaction of  
5382 the obligation it secures only if:

5383 (1) The debtor consents to the acceptance under subsection (c);



5384 (2) The secured party does not receive, within the time set forth in  
5385 subsection (d), a notification of objection to the proposal authenticated  
5386 by:

5387 (A) A person to which the secured party was required to send a  
5388 proposal under section 118 of this act; or

5389 (B) Any other person, other than the debtor, holding an interest in  
5390 the collateral subordinate to the security interest that is the subject of  
5391 the proposal;

5392 (3) If the collateral is consumer goods, the collateral is not in the  
5393 possession of the debtor when the debtor consents to the acceptance;  
5394 and

5395 (4) Subsection (e) does not require the secured party to dispose of  
5396 the collateral or the debtor waives the requirement pursuant to section  
5397 121 of this act.

5398 (b) A purported or apparent acceptance of collateral under this  
5399 section is ineffective unless:

5400 (1) The secured party consents to the acceptance in an authenticated  
5401 record or sends a proposal to the debtor; and

5402 (2) The conditions of subsection (a) are met.

5403 (c) For purposes of this section:

5404 (1) A debtor consents to an acceptance of collateral in partial  
5405 satisfaction of the obligation it secures only if the debtor agrees to the  
5406 terms of the acceptance in a record authenticated after default; and

5407 (2) A debtor consents to an acceptance of collateral in full  
5408 satisfaction of the obligation it secures only if the debtor agrees to the  
5409 terms of the acceptance in a record authenticated after default or the  
5410 secured party:

5411 (A) Sends to the debtor after default a proposal that is unconditional  
5412 or subject only to a condition that collateral not in the possession of the  
5413 secured party be preserved or maintained;

5414 (B) In the proposal, proposes to accept collateral in full satisfaction  
5415 of the obligation it secures; and

5416 (C) Does not receive a notification of objection authenticated by the  
5417 debtor within twenty days after the proposal is sent.

5418 (d) To be effective under subdivision (2) of subsection (a) of this  
5419 section, a notification of objection must be received by the secured  
5420 party:

5421 (1) In the case of a person to which the proposal was sent pursuant  
5422 to section 118 of this act, within twenty days after notification was sent  
5423 to that person; and

5424 (2) In other cases:

5425 (A) Within twenty days after the last notification was sent pursuant  
5426 to section 118 of this act; or

5427 (B) If a notification was not sent, before the debtor consents to the  
5428 acceptance under subsection (c).

5429 (e) A secured party that has taken possession of collateral shall  
5430 dispose of the collateral pursuant to section 107 of this act within the  
5431 time specified in subsection (f) if:

5432 (1) Sixty per cent of the cash price has been paid in the case of a  
5433 purchase-money security interest in consumer goods; or

5434 (2) Sixty per cent of the principal amount of the obligation secured  
5435 has been paid in the case of a non-purchase-money security interest in  
5436 consumer goods.

5437 (f) To comply with subsection (e), the secured party shall dispose of  
5438 the collateral:

5439 (1) Within ninety days after taking possession; or

5440 (2) Within any longer period to which the debtor and all secondary  
5441 obligors have agreed in an agreement to that effect entered into and  
5442 authenticated after default.

5443 (g) In a consumer transaction, a secured party may not accept  
5444 collateral in partial satisfaction of the obligation it secures.

5445 (h) Nothing in subsection (b) shall prohibit a consumer in a  
5446 consumer goods transaction from proving that the secured party has  
5447 agreed to accept the collateral in full satisfaction of the obligation by  
5448 means other than an authenticated record.

5449 Sec. 118. (NEW) (a) A secured party that desires to accept collateral  
5450 in full or partial satisfaction of the obligation it secures shall send its  
5451 proposal to:

5452 (1) Any person from which the secured party has received, before  
5453 the debtor consented to the acceptance, an authenticated notification of  
5454 a claim of an interest in the collateral;

5455 (2) Any other secured party or lienholder that, ten days before the  
5456 debtor consented to the acceptance, held a security interest in or other  
5457 lien on the collateral perfected by the filing of a financing statement  
5458 that:

5459 (A) Identified the collateral;

5460 (B) Was indexed under the debtor's name as of that date; and

5461 (C) Was filed in the office or offices in which to file a financing  
5462 statement against the debtor covering the collateral as of that date; and

5463 (3) Any other secured party that, ten days before the debtor  
5464 consented to the acceptance, held a security interest in the collateral  
5465 perfected by compliance with a statute, regulation or treaty described  
5466 in subsection (a) of section 42a-9-311 of the general statutes, as  
5467 amended by this act.

5468 (b) A secured party that desires to accept collateral in partial  
5469 satisfaction of the obligation it secures shall send its proposal to any  
5470 secondary obligor in addition to the persons described in subsection  
5471 (a).

5472 Sec. 119. (NEW) (a) A secured party's acceptance of collateral in full  
5473 or partial satisfaction of the obligation it secures:

5474 (1) Discharges the obligation to the extent consented to by the  
5475 debtor;

5476 (2) Transfers to the secured party all of a debtor's rights in the  
5477 collateral;

5478 (3) Discharges the security interest or agricultural lien that is the  
5479 subject of the debtor's consent and any subordinate security interest or  
5480 other subordinate lien; and

5481 (4) Terminates any other subordinate interest.

5482 (b) A subordinate interest is discharged or terminated under  
5483 subsection (a), even if the secured party fails to comply with this  
5484 article.

5485 Sec. 120. (NEW) (a) A debtor, any secondary obligor or any other  
5486 secured party or lienholder may redeem collateral.

5487 (b) To redeem collateral, a person shall tender:

5488 (1) Fulfillment of all obligations secured by the collateral; and

5489 (2) The reasonable expenses and attorney's fees described in  
5490 subdivision (1) of subsection (a) of section 112 of this act.

5491 (c) A redemption may occur at any time before a secured party:

5492 (1) Has collected collateral under section 104 of this act;

5493 (2) Has disposed of collateral or entered into a contract for its  
5494 disposition under section 107 of this act; or

5495 (3) Has accepted collateral in full or partial satisfaction of the  
5496 obligation it secures under section 119 of this act.

5497 Sec. 121. (NEW) (a) A debtor or secondary obligor may waive the  
5498 right to notification of disposition of collateral under section 108 of this  
5499 act only by an agreement to that effect entered into and authenticated  
5500 after default.

5501 (b) A debtor may waive the right to require disposition of collateral  
5502 under subsection (e) of section 117 of this act only by an agreement to  
5503 that effect entered into and authenticated after default.

5504 (c) Except in a consumer-goods transaction, a debtor or secondary  
5505 obligor may waive the right to redeem collateral under section 120 of  
5506 this act only by an agreement to that effect entered into and  
5507 authenticated after default.

5508 Sec. 122. (NEW) (a) If it is established that a secured party is not  
5509 proceeding in accordance with this article, a court may order or  
5510 restrain collection, enforcement or disposition of collateral on  
5511 appropriate terms and conditions.

5512 (b) Subject to subsections (c), (d) and (f), a person is liable for  
5513 damages in the amount of any loss caused by a failure to comply with  
5514 this article. Loss caused by a failure to comply may include loss  
5515 resulting from the debtor's inability to obtain, or increased costs of,

5516 alternative financing.

5517 (c) Except as otherwise provided in section 125 of this act:

5518 (1) A person that, at the time of the failure, was a debtor, was an  
5519 obligor or held a security interest in or other lien on the collateral may  
5520 recover damages under subsection (b) for its loss; and

5521 (2) If the collateral is consumer goods, a person that was a debtor or  
5522 a secondary obligor at the time a secured party failed to comply with  
5523 sections 98 to 125, inclusive, of this act, may recover for that failure in  
5524 any event an amount not less than the credit service charge plus ten  
5525 per cent of the principal amount of the obligation or the time-price  
5526 differential plus ten per cent of the cash price.

5527 (d) A debtor whose deficiency is eliminated under section 123 of  
5528 this act may recover damages for the loss of any surplus. However, a  
5529 debtor or secondary obligor whose deficiency is eliminated or reduced  
5530 under section 123 of this act may not otherwise recover under  
5531 subsection (b) for noncompliance with the provisions of sections 98 to  
5532 125, inclusive, of this act relating to collection, enforcement, disposition  
5533 or acceptance.

5534 (e) In addition to any damages recoverable under subsection (b), the  
5535 debtor, consumer obligor, or person named as a debtor in a filed  
5536 record, as applicable, may recover five hundred dollars in each case  
5537 from a person that:

5538 (1) Fails to comply with section 42a-9-208 of the general statutes, as  
5539 amended by this act;

5540 (2) Fails to comply with section 42a-9-209 of the general statutes, as  
5541 amended by this act;

5542 (3) Files a record that the person is not entitled to file under  
5543 subsection (a) of section 80 of this act;

5544 (4) Fails to cause the secured party of record to file or send a  
5545 termination statement as required by subsection (a) or (c) of section 84  
5546 of this act;

5547 (5) Fails to comply with subdivision (1) of subsection (b) of section  
5548 113 of this act and whose failure is part of a pattern, or consistent with  
5549 a practice, of noncompliance; or

5550 (6) Fails to comply with subdivision (2) of subsection (b) of section  
5551 113 of this act.

5552 (f) A debtor or consumer obligor may recover damages under  
5553 subsection (b) and, in addition, five hundred dollars in each case from  
5554 a person that, without reasonable cause, fails to comply with a request  
5555 under section 20 of this act. A recipient of a request under section 20 of  
5556 this act which never claimed an interest in the collateral or obligations  
5557 that are the subject of a request under that section has a reasonable  
5558 excuse for failure to comply with the request within the meaning of  
5559 this subsection.

5560 (g) If a secured party fails to comply with a request regarding a list  
5561 of collateral or a statement of account under section 20 of this act, the  
5562 secured party may claim a security interest only as shown in the list or  
5563 statement included in the request as against a person that is reasonably  
5564 misled by the failure.

5565 Sec. 123. (NEW) (a) In an action arising from a transaction, other  
5566 than a consumer transaction, in which the amount of a deficiency or  
5567 surplus is in issue, the following rules apply:

5568 (1) A secured party need not prove compliance with the provisions  
5569 of sections 98 to 125, inclusive, of this act, relating to collection,  
5570 enforcement, disposition or acceptance unless the debtor or a  
5571 secondary obligor places the secured party's compliance in issue.

5572 (2) If the secured party's compliance is placed in issue, the secured

5573 party has the burden of establishing that the collection, enforcement,  
5574 disposition or acceptance was conducted in accordance with sections  
5575 98 to 125, inclusive, of this act.

5576 (3) Except as otherwise provided in section 125 of this act, if a  
5577 secured party fails to prove that the collection, enforcement,  
5578 disposition or acceptance was conducted in accordance with the  
5579 provisions of sections 98 to 125, inclusive, of this act, relating to  
5580 collection, enforcement, disposition or acceptance, the liability of a  
5581 debtor or a secondary obligor for a deficiency is limited to an amount  
5582 by which the sum of the secured obligation, expenses and attorney's  
5583 fees exceeds the greater of:

5584 (A) The proceeds of the collection, enforcement, disposition or  
5585 acceptance; or

5586 (B) The amount of proceeds that would have been realized had the  
5587 noncomplying secured party proceeded in accordance with the  
5588 provisions of sections 98 to 125, inclusive, of this act, relating to  
5589 collection, enforcement, disposition or acceptance.

5590 (4) For purposes of subparagraph (B) of subdivision (3) of this  
5591 subsection, the amount of proceeds that would have been realized is  
5592 equal to the sum of the secured obligation, expenses and attorney's  
5593 fees unless the secured party proves that the amount is less than that  
5594 sum.

5595 (5) If a deficiency or surplus is calculated under subsection (f) of  
5596 section 112 of this act, the debtor or obligor has the burden of  
5597 establishing that the amount of proceeds of the disposition is  
5598 significantly below the range of prices that a complying disposition to  
5599 a person other than the secured party, a person related to the secured  
5600 party or a secondary obligor would have brought.

5601 (b) The limitation of the rules in subsection (a) to transactions other



5602 than consumer transactions is intended to leave to the court the  
5603 determination of the proper rules in consumer transactions. The court  
5604 may not infer from that limitation the nature of the proper rule in  
5605 consumer transactions and may continue to apply established  
5606 approaches. Notwithstanding subsection (b) of section 124 of this act,  
5607 those approaches may apply principles of existing statutory and case  
5608 law, including laws concerning the determination of a deficiency or  
5609 surplus, that apply to analogous consumer transactions in similar  
5610 goods under part XI of chapter 669 of the general statutes and under  
5611 other law of this state.

5612       Sec. 124. (NEW) (a) The fact that a greater amount could have been  
5613 obtained by a collection, enforcement, disposition or acceptance at a  
5614 different time or in a different method from that selected by the  
5615 secured party is not of itself sufficient to preclude the secured party  
5616 from establishing that the collection, enforcement, disposition or  
5617 acceptance was made in a commercially reasonable manner.

5618       (b) A disposition of collateral is made in a commercially reasonable  
5619 manner if the disposition is made:

5620       (1) In the usual manner on any recognized market;

5621       (2) At the price current in any recognized market at the time of the  
5622 disposition; or

5623       (3) Otherwise in conformity with reasonable commercial practices  
5624 among dealers in the type of property that was the subject of the  
5625 disposition.

5626       (c) A collection, enforcement, disposition or acceptance is  
5627 commercially reasonable if it has been approved:

5628       (1) In a judicial proceeding;

5629       (2) By a bona fide creditors' committee;

5630 (3) By a representative of creditors; or

5631 (4) By an assignee for the benefit of creditors.

5632 (d) Approval under subsection (c) need not be obtained, and lack of  
5633 approval does not mean that the collection, enforcement, disposition or  
5634 acceptance is not commercially reasonable.

5635 (e) Notwithstanding the provisions of subsection (b), in a consumer  
5636 transaction the determination of a deficiency or surplus is subject to  
5637 the court determination of the proper rule that applies to a consumer  
5638 transaction under subsection (b) of section 123 of this act.

5639 Sec. 125. (NEW) (a) Unless a secured party knows that a person is a  
5640 debtor or obligor, knows the identity of the person and knows how to  
5641 communicate with the person:

5642 (1) The secured party is not liable to the person, or to a secured  
5643 party or lienholder that has filed a financing statement against the  
5644 person, for failure to comply with this article; and

5645 (2) The secured party's failure to comply with this article does not  
5646 affect the liability of the person for a deficiency.

5647 (b) A secured party is not liable because of its status as secured  
5648 party:

5649 (1) To a person that is a debtor or obligor, unless the secured party  
5650 knows:

5651 (A) That the person is a debtor or obligor;

5652 (B) The identity of the person; and

5653 (C) How to communicate with the person; or

5654 (2) To a secured party or lienholder that has filed a financing

5655 statement against a person, unless the secured party knows:

5656 (A) That the person is a debtor; and

5657 (B) The identity of the person.

5658 (c) A secured party is not liable to any person, and a person's  
5659 liability for a deficiency is not affected, because of any act or omission  
5660 arising out of the secured party's reasonable belief that a transaction is  
5661 not a consumer-goods transaction or a consumer transaction or that  
5662 goods are not consumer goods, if the secured party's belief is based on  
5663 its reasonable reliance on:

5664 (1) A debtor's representation concerning the purpose for which  
5665 collateral was to be used, acquired or held; or

5666 (2) An obligor's representation concerning the purpose for which a  
5667 secured obligation was incurred.

5668 (d) A secured party is not liable under subdivision (2) of subsection  
5669 (c) of section 122 of this act more than once with respect to any one  
5670 secured obligation.

5671 Sec. 126. (NEW) (a) Except as otherwise provided in sections 126 to  
5672 133, inclusive, of this act, this act applies to a transaction or lien within  
5673 its scope, even if the transaction or lien was entered into or created  
5674 before the effective date of this act.

5675 (b) Except as otherwise provided in subsection (c) and sections 127  
5676 to 133, inclusive, of this act:

5677 (1) Transactions and liens that were not governed by sections 42a-9-  
5678 101 to 42a-9-507, inclusive, of the general statutes, revision of 1958,  
5679 revised to January 1, 2001, were validly entered into or created before  
5680 the effective date of this act, and would be subject to this act if they  
5681 had been entered into or created after the effective date of this act, and

5682 the rights, duties and interests flowing from those transactions and  
5683 liens remain valid after the effective date of this act; and

5684 (2) The transactions and liens may be terminated, completed,  
5685 consummated and enforced as required or permitted by this act or by  
5686 the law that otherwise would apply if this act had not taken effect.

5687 (c) This act does not affect an action, case or proceeding commenced  
5688 before the effective date of this act.

5689 Sec. 127. (NEW) (a) A security interest that is enforceable  
5690 immediately before the effective date of this act and would have  
5691 priority over the rights of a person that becomes a lien creditor at that  
5692 time is a perfected security interest under this act if, on the effective  
5693 date of this act, the applicable requirements for enforceability and  
5694 perfection under this act are satisfied without further action.

5695 (b) Except as otherwise provided in section 129 of this act, if,  
5696 immediately before the effective date of this act, a security interest is  
5697 enforceable and would have priority over the rights of a person that  
5698 becomes a lien creditor at that time, but the applicable requirements  
5699 for enforceability or perfection under this act are not satisfied on the  
5700 effective date of this act, the security interest:

5701 (1) Is a perfected security interest for one year after the effective date  
5702 of this act;

5703 (2) Remains enforceable thereafter only if the security interest  
5704 becomes enforceable under section 42a-9-203 of the general statutes, as  
5705 amended by this act, before the year expires; and

5706 (3) Remains perfected thereafter only if the applicable requirements  
5707 for perfection under this act are satisfied before the year expires.

5708 Sec. 128. (NEW) A security interest that is enforceable immediately  
5709 before the effective date of this act but which would be subordinate to

5710 the rights of a person that becomes a lien creditor at that time:

5711 (1) Remains an enforceable security interest for one year after the  
5712 effective date of this act;

5713 (2) Remains enforceable thereafter if the security interest becomes  
5714 enforceable under section 42a-9-203 of the general statutes, as  
5715 amended by this act, on the effective date of this act or within one year  
5716 thereafter; and

5717 (3) Becomes perfected:

5718 (A) Without further action, on the effective date of this act if the  
5719 applicable requirements for perfection under this act are satisfied  
5720 before or at that time; or

5721 (B) When the applicable requirements for perfection are satisfied if  
5722 the requirements are satisfied after that time.

5723 Sec. 129. (NEW) (a) If action, other than the filing of a financing  
5724 statement, is taken before the effective date of this act and the action  
5725 would have resulted in priority of a security interest over the rights of  
5726 a person that becomes a lien creditor had the security interest become  
5727 enforceable before the effective date of this act, the action is effective to  
5728 perfect a security interest that attaches under this act within one year  
5729 after the effective date of this act. An attached security interest  
5730 becomes unperfected one year after the effective date of this act unless  
5731 the security interest becomes a perfected security interest under this  
5732 act before the expiration of that period.

5733 (b) The filing of a financing statement before the effective date of  
5734 this act is effective to perfect a security interest to the extent the filing  
5735 would satisfy the applicable requirements for perfection under this act.

5736 (c) This act does not render ineffective an effective financing  
5737 statement that, before the effective date of this act, is filed and satisfies

5738 the applicable requirements for perfection under the law of the  
5739 jurisdiction governing perfection as provided in section 42a-9-103a of  
5740 the general statutes, revision of 1958, revised to January 1, 2001.  
5741 However, except as otherwise provided in subsections (d) and (e) and  
5742 section 130 of this act, the financing statement ceases to be effective at  
5743 the earlier of:

5744 (1) The time the financing statement would have ceased to be  
5745 effective under the law of the jurisdiction in which it is filed; or

5746 (2) June 30, 2006.

5747 (d) The filing of a continuation statement after the effective date of  
5748 this act does not continue the effectiveness of the financing statement  
5749 filed before the effective date of this act. However, upon the timely  
5750 filing of a continuation statement after the effective date of this act and  
5751 in accordance with the law of the jurisdiction governing perfection as  
5752 provided in sections 42a-9-301 to 42a-9-318, inclusive, of the general  
5753 statutes, as amended by this act, and sections 39 to 62, inclusive, of this  
5754 act, the effectiveness of a financing statement filed in the same office in  
5755 that jurisdiction before the effective date of this act, continues for the  
5756 period provided by the law of that jurisdiction.

5757 (e) Subdivision (2) of subsection (c) applies to a financing statement  
5758 that, before the effective date of this act, is filed against a transmitting  
5759 utility and satisfies the applicable requirements for perfection under  
5760 the law of the jurisdiction governing perfection as provided in section  
5761 42a-9-103a of the general statutes, revision of 1958, revised to January  
5762 1, 2001, only to the extent that sections 42a-9-301 to 42a-9-318,  
5763 inclusive, of the general statutes, as amended by this act, and sections  
5764 39 to 62, inclusive, of this act, provides that the law of a jurisdiction  
5765 other than the jurisdiction in which the financing statement is filed  
5766 governs perfection of a security interest in collateral covered by the  
5767 financing statement.

5768 (f) A financing statement that includes a financing statement filed  
5769 before the effective date of this act and a continuation statement filed  
5770 after the effective date of this act is effective only to the extent that it  
5771 satisfies the requirements of sections 42a-9-501 to 42a-9-507, inclusive,  
5772 of the general statutes, as amended by this act, and sections 79 to 97,  
5773 inclusive, of this act, for an initial financing statement.

5774 Sec. 130. (NEW) (a) The filing of an initial financing statement in the  
5775 office specified in section 42a-9-501 of the general statutes, as amended  
5776 by this act, continues the effectiveness of a financing statement filed  
5777 before the effective date of this act if:

5778 (1) The filing of an initial financing statement in that office would be  
5779 effective to perfect a security interest under this act;

5780 (2) The pre-effective-date financing statement was filed in an office  
5781 in another state or another office in this state; and

5782 (3) The initial financing statement satisfies subsection (c).

5783 (b) The filing of an initial financing statement under subsection (a)  
5784 continues the effectiveness of the pre-effective-date financing  
5785 statement:

5786 (1) If the initial financing statement is filed before the effective date  
5787 of this act, for the period provided in section 42a-9-403 of the general  
5788 statutes, revision of 1958, revised to January 1, 2001, with respect to a  
5789 financing statement; and

5790 (2) If the initial financing statement is filed after the effective date of  
5791 this act, for the period provided in section 86 of this act with respect to  
5792 an initial financing statement.

5793 (c) To be effective for purposes of subsection (a), an initial financing  
5794 statement must:

5795 (1) Satisfy the requirements of sections 42a-9-501 to 42a-9-507,  
5796 inclusive, of the general statutes, as amended by this act, and sections  
5797 79 to 97, inclusive, of this act for an initial financing statement;

5798 (2) Identify the pre-effective-date financing statement by indicating  
5799 the office in which the financing statement was filed and providing the  
5800 dates of filing and file numbers, if any, of the financing statement and  
5801 of the most recent continuation statement filed with respect to the  
5802 financing statement; and

5803 (3) Indicate that the pre-effective-date financing statement remains  
5804 effective.

5805 Sec. 131. (NEW) (a) In this section, "pre-effective-date financing  
5806 statement" means a financing statement filed before the effective date  
5807 of this act.

5808 (b) After the effective date of this act, a person may add or delete  
5809 collateral covered by, continue or terminate the effectiveness of, or  
5810 otherwise amend the information provided in, a pre-effective-date  
5811 financing statement only in accordance with the law of the jurisdiction  
5812 governing perfection as provided in sections 42a-9-301 to 42a-9-318,  
5813 inclusive, of the general statutes, as amended by this act, and sections  
5814 39 to 62, inclusive, of this act. However, the effectiveness of a pre-  
5815 effective-date financing statement also may be terminated in  
5816 accordance with the law of the jurisdiction in which the financing  
5817 statement is filed.

5818 (c) Except as otherwise provided in subsection (d), if the law of this  
5819 state governs perfection of a security interest, the information in a pre-  
5820 effective-date financing statement may be amended after the effective  
5821 date of this act only if:

5822 (1) The pre-effective-date financing statement and an amendment  
5823 are filed in the office specified in section 42a-9-501 of the general



5824 statutes, as amended by this act;

5825       (2) An amendment is filed in the office specified in section 42a-9-501  
5826 of the general statutes, as amended by this act, concurrently with, or  
5827 after the filing in that office of, an initial financing statement that  
5828 satisfies subsection (c) of section 130 of this act; or

5829       (3) An initial financing statement that provides the information as  
5830 amended and satisfies subsection (c) of section 130 of this act is filed in  
5831 the office specified in section 42a-9-501 of the general statutes, as  
5832 amended by this act.

5833       (d) If the law of this state governs perfection of a security interest,  
5834 the effectiveness of a pre-effective-date financing statement may be  
5835 continued only under subsections (d) and (f) of section 129 of this act  
5836 or section 130 of this act.

5837       (e) Whether or not the law of this state governs perfection of a  
5838 security interest, the effectiveness of a pre-effective-date financing  
5839 statement filed in this state may be terminated after the effective date  
5840 of this act by filing a termination statement in the office in which the  
5841 pre-effective-date financing statement is filed, unless an initial  
5842 financing statement that satisfies subsection (c) of section 130 of this act  
5843 has been filed in the office specified by the law of the jurisdiction  
5844 governing perfection as provided in sections 42a-9-301 to 42a-9-318,  
5845 inclusive, of the general statutes, as amended by this act, and sections  
5846 39 to 62, inclusive, of this act as the office in which to file a financing  
5847 statement.

5848       Sec. 132. (NEW) A person may file an initial financing statement or a  
5849 continuation statement under sections 126 to 133, inclusive, of this act  
5850 if:

5851       (1) The secured party of record authorizes the filing; and

5852       (2) The filing is necessary under sections 126 to 133, inclusive, of this

5853 act:

5854 (A) To continue the effectiveness of a financing statement filed  
5855 before the effective date of this act; or

5856 (B) To perfect or continue the perfection of a security interest.

5857 Sec. 133. (NEW) (a) This act determines the priority of conflicting  
5858 claims to collateral. However, if the relative priorities of the claims  
5859 were established before the effective date of this act, sections 42a-9-101  
5860 to 42a-9-507, inclusive, of the general statutes, revision of 1958, revised  
5861 to January 1, 2001, determine priority.

5862 (b) For purposes of subsection (a) of section 42 of this act, the  
5863 priority of a security interest that becomes enforceable under section  
5864 42a-9-203 of the general statutes, as amended by this act, dates from  
5865 the effective date of this act if the security interest is perfected under  
5866 this act by the filing of a financing statement before the effective date  
5867 of this act which would not have been effective to perfect the security  
5868 interest under sections 42a-9-101 to 42a-9-507, inclusive, of the general  
5869 statutes, revision of 1958, revised to January 1, 2001. This subsection  
5870 does not apply to conflicting security interests each of which is  
5871 perfected by the filing of such a financing statement.

5872 Sec. 134. Section 42a-1-105 of the general statutes is repealed and the  
5873 following is substituted in lieu thereof:

5874 (1) Except as provided hereafter in this section, when a transaction  
5875 bears a reasonable relation to this state and also to another state or  
5876 nation the parties may agree that the law either of this state or of such  
5877 other state or nation shall govern their rights and duties. Failing such  
5878 agreement this title applies to transactions bearing an appropriate  
5879 relation to this state.

5880 (2) Where one of the following provisions of this title specifies the  
5881 applicable law, that provision governs and a contrary agreement is

5882 effective only to the extent permitted by the law, including the conflict  
5883 of laws rules, so specified:

5884 Rights of creditors against sold goods. Section 42a-2-402.

5885 Applicability of the article on bank deposits and collections. Section  
5886 42a-4-102.

5887 Governing law in the article on funds transfers. Section 42a-4a-507.

5888 Letters of credit. Section 42a-5-116.

5889 Applicability of the article on investment securities. Section 42a-8-  
5890 110.

5891 [Perfection provisions of the article on secured transactions. Section  
5892 42a-9-103a.]

5893 Law governing perfection, the effect of perfection or nonperfection  
5894 and the priority of security interests and agricultural liens. Sections  
5895 42a-9-301 to 42a-9-307, inclusive, as amended by this act.

5896 Sec. 135. Subdivision (9) of section 42a-1-201 of the general statutes  
5897 is repealed and the following is substituted in lieu thereof:

5898 (9) "Buyer in ordinary course of business" means a person [who]  
5899 that buys goods in good faith, [and] without knowledge that the sale  
5900 [to him is in violation of the ownership rights or security interest of a  
5901 third party] violates the rights of another person in the goods, [buys]  
5902 and in the ordinary course from a person, other than a pawnbroker, in  
5903 the business of selling goods of that kind, [but does not include a  
5904 pawnbroker. All persons who sell minerals or the like, including oil  
5905 and gas, at wellhead or minehead shall be deemed to be persons] A  
5906 person buys goods in the ordinary course if the sale to the person  
5907 comports with the usual or customary practices in the kind of business  
5908 in which the seller is engaged or with the seller's own usual or

5909 customary practices. A person that sells oil, gas or other minerals at the  
5910 wellhead or minehead is a person in the business of selling goods of  
5911 that kind. ["Buying"] A buyer in the ordinary course of business may  
5912 [be] buy for cash, [or] by exchange of other property or on secured or  
5913 unsecured credit, and [includes receiving] may acquire goods or  
5914 documents of title under a preexisting contract for sale, [but does not  
5915 include a transfer in bulk or as security for or in total or partial  
5916 satisfaction of a money debt.] Only a buyer that takes possession of the  
5917 goods or has a right to recover the goods from the seller under article 2  
5918 may be a buyer in ordinary course of business. A person that acquires  
5919 goods in a transfer in bulk or as security for or in total or partial  
5920 satisfaction of a money debt is not a buyer in ordinary course of  
5921 business.

5922       Sec. 136. Subdivision (32) of section 42a-1-201 of the general statutes  
5923 is repealed and the following is substituted in lieu thereof:

5924       (32) "Purchase" includes taking by sale, discount, negotiation,  
5925 mortgage, pledge, lien, security interest, issue or reissue, gift or any  
5926 other voluntary transaction creating an interest in property.

5927       Sec. 137. Subdivision (37) of section 42a-1-201 of the general statutes  
5928 is repealed and the following is substituted in lieu thereof:

5929       (37) "Security interest" means an interest in personal property or  
5930 fixtures which secures payment or performance of an obligation. [The  
5931 retention or reservation of title by a seller of goods notwithstanding  
5932 shipment or delivery to the buyer is limited in effect to a reservation of  
5933 a "security interest".] The term also includes any interest of a consignor  
5934 and a buyer of accounts, [or] chattel paper, [which] a payment  
5935 intangible or a promissory note in a transaction that is subject to article  
5936 9. The special property interest of a buyer of goods on identification of  
5937 such goods to a contract for sale under section 42a-2-401 is not a  
5938 "security interest", but a buyer may also acquire a "security interest" by  
5939 complying with article 9. [Unless a lease or consignment is intended as

5940 security, reservation of title thereunder is not a "security interest" but a  
5941 consignment is in any event subject to the provisions of section 42a-2-  
5942 326 concerning consignment sales.] Whether a lease is intended as  
5943 security is to be determined by the facts of each case; however, (a) the  
5944 inclusion of an option to purchase does not of itself make the lease one  
5945 intended for security, and (b) an agreement that upon compliance with  
5946 the terms of the lease the lessee shall become or has the option to  
5947 become the owner of the property for no additional consideration or  
5948 for a nominal consideration does make the lease one intended for  
5949 security. Except as otherwise provided in section 42a-5-505, the right of  
5950 a seller or lessor of goods under article 2 to retain or acquire possession  
5951 of the goods is not a "security interest", but a seller or lessor may also  
5952 acquire a "security interest" by complying with article 9. The retention  
5953 or reservation of title by a seller of goods notwithstanding shipment or  
5954 delivery to the buyer, as provided by section 42a-2-401, is limited in  
5955 effect to a reservation of a "security interest". For purposes of this  
5956 section, "security interest" does not include a rent-to-own agreement,  
5957 as defined in section 42-240.

5958 Sec. 138. Subdivision (3) of section 42a-2-103 of the general statutes  
5959 is repealed and the following is substituted in lieu thereof:

5960 (3) The following definitions in other articles apply to this article:

5961 "Check". Section 42a-3-104.

5962 "Consignee". Section 42a-7-102.

5963 "Consignor". Section 42a-7-102.

5964 "Consumer goods". Section [42a-9-109] 42a-9-102, as amended by  
5965 this act.

5966 "Dishonor". Section 42a-3-502.

5967 "Draft". Section 42a-3-104.

5968       Sec. 139. Section 42a-2-210 of the general statutes is repealed and the  
5969 following is substituted in lieu thereof:

5970       (1) A party may perform his duty through a delegate unless  
5971 otherwise agreed or unless the other party has a substantial interest in  
5972 having his original promisor perform or control the acts required by  
5973 the contract. No delegation of performance relieves the party  
5974 delegating of any duty to perform or any liability for breach.

5975       (2) [(Unless)] Except as otherwise provided in section 42a-9-406, as  
5976 amended by this act, unless otherwise agreed, all rights of either seller  
5977 or buyer can be assigned except where the assignment would  
5978 materially change the duty of the other party, or increase materially  
5979 the burden or risk imposed on him by his contract, or impair  
5980 materially his chance of obtaining return performance. A right to  
5981 damages for breach of the whole contract or a right arising out of the  
5982 assignor's due performance of his entire obligation can be assigned  
5983 despite agreement otherwise.

5984       (3) The creation, attachment, perfection or enforcement of a security  
5985 interest in the seller's interest under a contract is not a transfer that  
5986 materially changes the duty of or increases materially the burden or  
5987 risk imposed on the buyer or impairs materially the buyer's chance of  
5988 obtaining return performance within the purview of subsection (2)  
5989 unless, and then only to the extent that, enforcement actually results in  
5990 a delegation of material performance of the seller. Even in that event,  
5991 the creation, attachment, perfection and enforcement of the security  
5992 interest remain effective, but (i) the seller is liable to the buyer for  
5993 damages caused by the delegation to the extent that the damages could  
5994 not reasonably be prevented by the buyer, and (ii) a court having  
5995 jurisdiction may grant other appropriate relief, including cancellation  
5996 of the contract for sale or an injunction against enforcement of the  
5997 security interest or consummation of the enforcement.

5998       [(3)] (4) Unless the circumstances indicate the contrary a prohibition

5999 of assignment of "the contract" is to be construed as barring only the  
6000 delegation to the assignee of the assignor's performance.

6001     [(4)] (5) An assignment of "the contract" or of "all my rights under  
6002 the contract" or an assignment in similar general terms is an  
6003 assignment of rights and unless the language or the circumstances, as  
6004 in an assignment for security, indicate the contrary, it is a delegation of  
6005 performance of the duties of the assignor and its acceptance by the  
6006 assignee constitutes a promise by him to perform those duties. This  
6007 promise is enforceable by either the assignor or the other party to the  
6008 original contract.

6009     [(5)] (6) The other party may treat any assignment which delegates  
6010 performance as creating reasonable grounds for insecurity and may  
6011 without prejudice to his rights against the assignor demand assurances  
6012 from the assignee as provided by section 42a-2-609.

6013     Sec. 140. Section 42a-2-326 of the general statutes is repealed and the  
6014 following is substituted in lieu thereof:

6015     (1) Unless otherwise agreed, if delivered goods may be returned by  
6016 the buyer even though they conform to the contract, the transaction is  
6017 (a) a "sale on approval" if the goods are delivered primarily for use,  
6018 and (b) a "sale or return" if the goods are delivered primarily for resale.

6019     (2) [Except as provided in subsection (3), goods] Goods held on  
6020 approval are not subject to the claims of the buyer's creditors until  
6021 acceptance; goods held on sale or return are subject to such claims  
6022 while in the buyer's possession.

6023     [(3) Where goods are delivered to a person for sale and such person  
6024 maintains a place of business at which he deals in goods of the kind  
6025 involved, under a name other than the name of the person making  
6026 delivery, then with respect to claims of creditors of the person  
6027 conducting the business the goods are deemed to be on sale or return.

6028 The provisions of this subsection are applicable even though an  
6029 agreement purports to reserve title to the person making delivery until  
6030 payment or resale or uses such words as "on consignment" or "on  
6031 memorandum". However, this subsection is not applicable if the  
6032 person making delivery (a) complies with an applicable law providing  
6033 for a consignor's interest or the like to be evidenced by a sign, or (b)  
6034 establishes that the person conducting the business is generally known  
6035 by his creditors to be substantially engaged in selling the goods of  
6036 others, or (c) complies with the filing provisions of article 9.]

6037 [(4)] (3) Any "or return" term of a contract for sale is to be treated as  
6038 a separate contract for sale within section 42a-2-201 and as  
6039 contradicting the sale aspect of the contract within the provisions of  
6040 section 42a-2-202.

6041 Sec. 141. Section 42a-2-502 of the general statutes is repealed and the  
6042 following is substituted in lieu thereof:

6043 (1) Subject to [subsection (2)] subsections (2) and (3) and even  
6044 though the goods have not been shipped a buyer who has paid a part  
6045 or all of the price of goods in which he has a special property under the  
6046 provisions of the immediately preceding section may on making and  
6047 keeping good a tender of any unpaid portion of their price recover  
6048 them from the seller if: (a) In the case of goods bought for personal,  
6049 family or household purposes, the seller repudiates or fails to deliver  
6050 as required by the contract; or (b) in all cases, the seller becomes  
6051 insolvent within ten days after receipt of the first installment on their  
6052 price.

6053 (2) The buyer's right to recover the goods under subsection (1)(a)  
6054 vests upon acquisition of a special property, even if the seller had not  
6055 then repudiated or failed to deliver.

6056 [(2)] (3) If the identification creating his special property has been  
6057 made by the buyer he acquires the right to recover the goods only if



6058 they conform to the contract for sale.

6059 Sec. 142. Section 42a-2-716 of the general statutes is repealed and the  
6060 following is substituted in lieu thereof:

6061 (1) Specific performance may be decreed where the goods are  
6062 unique or in other proper circumstances.

6063 (2) The decree for specific performance may include such terms and  
6064 conditions as to payment of the price, damages, or other relief as the  
6065 court may deem just.

6066 (3) The buyer has a right of replevin for goods identified to the  
6067 contract if after reasonable effort he is unable to effect cover for such  
6068 goods or the circumstances reasonably indicate that such effort will be  
6069 unavailing or if the goods have been shipped under reservation and  
6070 satisfaction of the security interest in them has been made or tendered.  
6071 In the case of goods bought for personal, family or household  
6072 purposes, the buyer's right of replevin vests upon acquisition of a  
6073 special property, even if the seller had not then repudiated or failed to  
6074 deliver.

6075 Sec. 143. Subsection (c) of section 42a-4-210 of the general statutes is  
6076 repealed and the following is substituted in lieu thereof:

6077 (c) Receipt by a collecting bank of a final settlement for an item is a  
6078 realization on its security interest in the item, accompanying  
6079 documents, and proceeds. So long as the bank does not receive final  
6080 settlement for the item or give up possession of the item or  
6081 accompanying documents for purposes other than collection, the  
6082 security interest continues to that extent and is subject to article 9, but:  
6083 (1) No security agreement is necessary to make the security interest  
6084 enforceable, as provided in subsection [(1) (a)] (b)(3)(A) of section 42a-  
6085 9-203, as amended by this act; (2) no filing is required to perfect the  
6086 security interest; and (3) the security interest has priority over

6087 conflicting perfected security interests in the item, accompanying  
6088 documents or proceeds.

6089 Sec. 144. Section 42a-5-118 of the general statutes is repealed and the  
6090 following is substituted in lieu thereof:

6091 [Public act 96-198 applies to a letter of credit that is issued on or  
6092 after October 1, 1996. Public act 96-198 does not apply to a transaction,  
6093 event, obligation or duty arising out of or associated with a letter of  
6094 credit that was issued before October 1, 1996.]

6095 (a) An issuer or nominated person has a security interest in a  
6096 document presented under a letter of credit to the extent that the issuer  
6097 or nominated person honors or gives value for the presentation.

6098 (b) So long as and to the extent that an issuer or nominated person  
6099 has not been reimbursed or has not otherwise recovered the value  
6100 given with respect to a security interest in a document under  
6101 subsection (a), the security interest continues and is subject to article 9,  
6102 but:

6103 (1) A security agreement is not necessary to make the security  
6104 interest enforceable under section 42a-9-203(b)(3), as amended by this  
6105 act;

6106 (2) If the document is presented in a medium other than a written or  
6107 other tangible medium, the security interest is perfected; and

6108 (3) If the document is presented in a written or other tangible  
6109 medium and is not a certificated security, chattel paper, a document of  
6110 title, an instrument or a letter of credit, the security interest is perfected  
6111 and has priority over a conflicting security interest in the document so  
6112 long as the debtor does not have possession of the document.

6113 Sec. 145. Subsection (1) of section 42a-7-503 of the general statutes is  
6114 repealed and the following is substituted in lieu thereof:

6115 (1) A document of title confers no right in goods against a person  
6116 who before issuance of the document had a legal interest or a perfected  
6117 security interest in them and who neither (a) delivered or entrusted  
6118 them or any document of title covering them to the bailor or his  
6119 nominee with actual or apparent authority to ship, store or sell or with  
6120 power to obtain delivery under section 42a-7-403 or with power of  
6121 disposition under sections 42a-2-403 and [42a-9-307] 40 of this act or  
6122 other statute or rule of law; nor (b) acquiesced in the procurement by  
6123 the bailor or his nominee of any document of title.

6124 Sec. 146. Subsection (f) of section 42a-8-103 of the general statutes is  
6125 repealed and the following is substituted in lieu thereof:

6126 (f) A commodity contract, as defined in section [42a-9-115] 42a-9-  
6127 102(a)(15), as amended by this act, is not a security or a financial asset.

6128 Sec. 147. Section 42a-8-106 of the general statutes is repealed and the  
6129 following is substituted in lieu thereof:

6130 (a) A purchaser has "control" of a certificated security in bearer  
6131 form if the certificated security is delivered to the purchaser.

6132 (b) A purchaser has "control" of a certificated security in registered  
6133 form if the certificated security is delivered to the purchaser, and:

6134 (1) The certificate is endorsed to the purchaser or in blank by an  
6135 effective endorsement; or

6136 (2) The certificate is registered in the name of the purchaser, upon  
6137 original issue or registration of transfer by the issuer.

6138 (c) A purchaser has "control" of an uncertificated security if:

6139 (1) The uncertificated security is delivered to the purchaser; or

6140 (2) The issuer has agreed that it will comply with instructions  
6141 originated by the purchaser without further consent by the registered

6142 owner.

6143 (d) A purchaser has "control" of a security entitlement if:

6144 (1) The purchaser becomes the entitlement holder; [or]

6145 (2) The securities intermediary has agreed that it will comply with  
6146 entitlement orders originated by the purchaser without further consent  
6147 by the entitlement holder; or

6148 (3) Another person has control of the security entitlement on behalf  
6149 of the purchaser or, having previously acquired control of the security  
6150 entitlement, acknowledges that it has control on behalf of the  
6151 purchaser.

6152 (e) If an interest in a security entitlement is granted by the  
6153 entitlement holder to the entitlement holder's own securities  
6154 intermediary, the securities intermediary has control.

6155 (f) A purchaser who has satisfied the requirements of subsection  
6156 [(c)(2) or (d)(2)] (c) or (d) of this section has control, even if the  
6157 registered owner in the case of subsection [(c)(2)] (c) of this section or  
6158 the entitlement holder in the case of subsection [(d)(2)] (d) of this  
6159 section retains the right to make substitutions for the uncertificated  
6160 security or security entitlement, to originate instructions or entitlement  
6161 orders to the issuer or securities intermediary, or otherwise to deal  
6162 with the uncertificated security or security entitlement.

6163 (g) An issuer or a securities intermediary may not enter into an  
6164 agreement of the kind described in subsection (c)(2) or (d)(2) of this  
6165 section without the consent of the registered owner or entitlement  
6166 holder, but an issuer or a securities intermediary is not required to  
6167 enter into such an agreement even though the registered owner or  
6168 entitlement holder so directs. An issuer or securities intermediary that  
6169 has entered into such an agreement is not required to confirm the  
6170 existence of the agreement to another party unless requested to do so

6171 by the registered owner or entitlement holder.

6172 Sec. 148. Subsection (e) of section 42a-8-110 of the general statutes is  
6173 repealed and the following is substituted in lieu thereof:

6174 (e) The following rules determine a "securities intermediary's  
6175 jurisdiction" for purposes of this section:

6176 (1) If an agreement between the securities intermediary and its  
6177 entitlement holder [specifies that it is governed by the law of a  
6178 particular jurisdiction] governing the securities account expressly  
6179 provides that a particular jurisdiction is the securities intermediary's  
6180 jurisdiction for purposes of this part, this article or article 9, that  
6181 jurisdiction is the securities intermediary's jurisdiction.

6182 (2) If subdivision (1) of this subsection does not apply and an  
6183 agreement between the securities intermediary and its entitlement  
6184 holder governing the securities account expressly provides that the  
6185 agreement is governed by the law of a particular jurisdiction, that  
6186 jurisdiction is the securities intermediary's jurisdiction.

6187 [(2)] (3) If neither subdivision (1) nor subdivision (2) of this  
6188 subsection applies and an agreement between the securities  
6189 intermediary and its entitlement holder [does not specify the  
6190 governing law as provided in subdivision (1) of this subsection, but  
6191 expressly specifies] governing the securities account expressly  
6192 provides that the securities account is maintained at an office in a  
6193 particular jurisdiction, that jurisdiction is the securities intermediary's  
6194 jurisdiction.

6195 [(3)] (4) If [an agreement between the securities intermediary and its  
6196 entitlement holder does not specify a jurisdiction as provided in  
6197 subdivision (1) or (2) of this subsection] none of the preceding  
6198 subdivisions of this subsection applies, the securities intermediary's  
6199 jurisdiction is the jurisdiction in which [is located] the office identified

6200 in an account statement as the office serving the entitlement holder's  
6201 account is located.

6202     ~~[(4)]~~ (5) If ~~[an agreement between the securities intermediary and its~~  
6203 entitlement holder does not specify a jurisdiction as provided in  
6204 subdivision (1) or (2) of this subsection and an account statement does  
6205 not identify an office serving the entitlement holder's account as  
6206 provided in subdivision (3) of this subsection] none of the preceding  
6207 subdivisions of this subsection applies, the securities intermediary's  
6208 jurisdiction is the jurisdiction in which ~~[is located]~~ the chief executive  
6209 office of the securities intermediary is located.

6210     Sec. 149. Subsection (a) of section 42a-8-301 of the general statutes is  
6211 repealed and the following is substituted in lieu thereof:

6212     (a) Delivery of a certificated security to a purchaser occurs when:

6213     (1) The purchaser acquires possession of the security certificate;

6214     (2) Another person, other than a securities intermediary, either  
6215 acquires possession of the security certificate on behalf of the  
6216 purchaser or, having previously acquired possession of the certificate,  
6217 acknowledges that it holds for the purchaser; or

6218     (3) A securities intermediary acting on behalf of the purchaser  
6219 acquires possession of the security certificate, only if the certificate is in  
6220 registered form and ~~[has been]~~ is (i) registered in the name of the  
6221 purchaser, (ii) payable to the order of the purchaser, or (iii) specially  
6222 endorsed to the purchaser by an effective endorsement and has not  
6223 been endorsed to the securities intermediary or in blank.

6224     Sec. 150. Subsection (a) of section 42a-8-302 of the general statutes is  
6225 repealed and the following is substituted in lieu thereof:

6226     (a) Except as otherwise provided in subsections (b) and (c) of this  
6227 section, ~~[upon delivery]~~ a purchaser of a certificated or uncertificated

6228 security [to a purchaser, the purchaser] acquires all rights in the  
6229 security that the transferor had or had power to transfer.

6230 Sec. 151. Section 42a-8-510 of the general statutes is repealed and the  
6231 following is substituted in lieu thereof:

6232 (a) [An] In a case not covered by the priority rules in article 9 or the  
6233 rules stated in subsection (c) of this section, an action based on an  
6234 adverse claim to a financial asset or security entitlement, whether  
6235 framed in conversion, replevin, constructive trust, equitable lien or  
6236 other theory, may not be asserted against a person who purchases a  
6237 security entitlement, or an interest therein, from an entitlement holder  
6238 if the purchaser gives value, does not have notice of the adverse claim  
6239 and obtains control.

6240 (b) If an adverse claim could not have been asserted against an  
6241 entitlement holder under section 42a-8-502, the adverse claim cannot  
6242 be asserted against a person who purchases a security entitlement, or  
6243 an interest therein, from the entitlement holder.

6244 (c) In a case not covered by the priority rules in article 9, a purchaser  
6245 for value of a security entitlement, or an interest therein, who obtains  
6246 control has priority over a purchaser of a security entitlement, or an  
6247 interest therein, who does not obtain control. [Purchasers] Except as  
6248 otherwise provided in subsection (d) of this section, purchasers who  
6249 have control rank [equally, except that a] according to priority in time  
6250 of:

6251 (1) The purchaser's becoming the person for whom the securities  
6252 account, in which the security entitlement is carried, is maintained, if  
6253 the purchaser obtained control under subsection (d)(1) of section 42a-8-  
6254 106, as amended by this act;

6255 (2) The securities intermediary's agreement to comply with the  
6256 purchaser's entitlement orders with respect to security entitlements

6257 carried or to be carried in the securities account in which the security  
6258 entitlement is carried, if the purchaser obtained control under  
6259 subsection (d)(2) of section 42a-8-106, as amended by this act; or

6260 (3) If the purchaser obtained control through another person under  
6261 subsection (d)(3) of section 42a-8-106, as amended by this act, the time  
6262 on which priority would be based under this subsection if the other  
6263 person were the secured party.

6264 (d) A securities intermediary as purchaser has priority over a  
6265 conflicting purchaser who has control unless otherwise agreed by the  
6266 securities intermediary.

6267 Sec. 152. Section 1-1a of the general statutes is repealed and the  
6268 following is substituted in lieu thereof:

6269 Unless the context of any statute requires a different interpretation,  
6270 all words and terms appearing in any statute and relating to security in  
6271 personal property shall be construed to mean their counterparts in  
6272 subsection (37) of section 42a-1-201 and chapter 748. In particular  
6273 "chattel mortgage", "conditional sale contract" or "lien" on personal  
6274 property, except a lien of the type to which chapter 748 does not apply  
6275 under [subsection (c) of section 42a-9-104] subdivision (2) of subsection  
6276 (d) of section 42a-9-109, as amended by this act, shall be construed to  
6277 mean "security interest"; "mortgagor" and "conditional vendee" shall be  
6278 construed to mean "debtor"; "mortgagee" and "conditional vendor"  
6279 shall be construed to mean "secured party".

6280 Sec. 153. Subsection (a) of section 10a-109h of the general statutes is  
6281 repealed and the following is substituted in lieu thereof:

6282 (a) Any pledge made by the university pursuant to section 10a-109g  
6283 is and shall be deemed a statutory lien [as provided in subsection (2) of  
6284 section 42a-9-102] and, except as expressly provided in this section, is  
6285 governed by article 9 of title 42a, as amended by this act. Such lien



6286 shall be valid and binding from the time when the pledge is made. The  
6287 lien of any pledge shall be valid and binding as against all parties  
6288 having claims of any kind in tort, contract or otherwise against the  
6289 university, irrespective of whether the parties have notice of the  
6290 claims. Notwithstanding any provision of the Uniform Commercial  
6291 Code to the contrary, neither sections 10a-109a to 10a-109y, inclusive,  
6292 the indenture or resolution, nor any other instrument by which a  
6293 pledge is created need be recorded. Any revenues or other receipts,  
6294 funds, moneys, personal property of fixtures so pledged and thereafter  
6295 received by the university shall be subject immediately to the lien of  
6296 the pledge without any physical delivery thereof or further act and  
6297 such lien shall have priority over all other liens, including without  
6298 limitation the liens of persons who, in the ordinary course of business,  
6299 furnish services or materials in respect of such assets.

6300       Sec. 154. Section 10a-233 of the general statutes is repealed and the  
6301 following is substituted in lieu thereof:

6302       The authority shall fix, revise, charge and collect fees and is  
6303 empowered to contract with any person, partnership, association or  
6304 corporation, or other body, public or private, in respect thereof. Each  
6305 agreement entered into by the authority with a participating institution  
6306 or institutions for higher education shall provide that the fees and  
6307 other amounts payable by said institution or institutions with respect  
6308 to any program or programs of the authority shall be sufficient at all  
6309 times, (1) to pay its or their share of the administrative costs and  
6310 expenses of such program, (2) to pay the principal of, the premium, if  
6311 any, and the interest on outstanding bonds or notes of the authority  
6312 issued with respect to such program to the extent that other revenues  
6313 of the authority pledged for the payment of the bonds or notes are  
6314 insufficient to pay the bonds or notes as they become due and payable,  
6315 (3) to create and maintain reserves which may but need not be  
6316 required or provided for in the bond resolution relating to such bonds  
6317 or notes of the authority, and (4) to establish and maintain whatever

6318 education loan servicing, control, or audit procedures are deemed to  
6319 be necessary to the operations of the authority. The authority shall  
6320 pledge the revenues from each program, as described in subsection (b)  
6321 of section 10a-230, as security for the issue of bonds or notes relating to  
6322 such program. Such pledge shall be valid and binding from the time  
6323 when the pledge is made; the revenues so pledged by the authority  
6324 shall immediately be subject to the lien of such pledge without any  
6325 physical delivery thereof or further act, and the lien of any such pledge  
6326 shall be valid and binding against all parties having claims of any kind  
6327 in tort, contract or otherwise against the authority or any participating  
6328 institution for higher education, irrespective of whether such parties  
6329 have notice thereof. Neither the bond resolution nor any financing  
6330 statement, continuation statement or other instrument by which a  
6331 pledge or security interest is created or by which the authority's  
6332 interest in revenues is assigned need be filed in any public records in  
6333 order to perfect the security interest or lien thereof as against third  
6334 parties except in the records of the authority. The authority may elect,  
6335 notwithstanding the exclusions provided in [subsection (d) of section  
6336 42a-9-104] subdivision (14) of subsection (d) of section 42a-9-109, as  
6337 amended by this act, to have the provisions of the Connecticut  
6338 Uniform Commercial Code apply to any pledge made by or to the  
6339 authority to secure its bonds or notes by filing a financing statement  
6340 with respect to the security interest created by the pledge. The use and  
6341 disposition of moneys to the credit of such sinking or other similar  
6342 fund shall be subject to the provisions of the resolution authorizing the  
6343 issuance of such bonds or notes or of such trust agreement. Except as  
6344 may otherwise be provided in such resolution, or such trust  
6345 agreement, such sinking or other similar fund shall be a fund for all  
6346 such revenue bonds or notes issued to finance an educational program  
6347 or programs at one or more participating institutions for higher  
6348 education, without distinction or priority of one over another;  
6349 provided, the authority in any such resolution or trust agreement may  
6350 provide that such sinking or other similar fund shall be the fund for a

6351 particular educational program or programs at a participating  
6352 institution or institutions for higher education and for the revenue  
6353 bonds or notes issued to finance a particular education program or  
6354 programs and may, additionally, permit and provide for the issuance  
6355 of revenue bonds or notes having a subordinate lien in respect of the  
6356 security herein authorized to other revenue bonds or notes of the  
6357 authority and, in such case, the authority may create separate or other  
6358 similar funds in respect of such subordinate lien bonds or notes.

6359       Sec. 155. Section 12-35a of the general statutes is repealed and the  
6360 following is substituted in lieu thereof:

6361       (a) Whenever used in this section, unless the context otherwise  
6362 requires: (1) "Goods" means goods as defined in [subdivision (h) of  
6363 subsection (1) of section 42a-9-105] subdivision (44) of subsection (a) of  
6364 section 42a-9-102, as amended by this act; (2) "proceeds" means  
6365 proceeds as defined in [subdivision (1) of section 42a-9-306] subdivision  
6366 (64) of subsection (a) of section 42a-9-102, as amended by this act; (3)  
6367 "debtor" means the taxpayer; (4) "secured party" means the state of  
6368 Connecticut; (5) "collateral" means property which is the subject of the  
6369 tax lien; (6) "obligations" means amount of tax and accrued penalties  
6370 and interest claimed to be due the state in relation to the tax lien; (7)  
6371 "person" means any individual, trust, partnership, association,  
6372 company, limited liability company or corporation; (8) "purchase  
6373 money security interest" means purchase money security interest as  
6374 defined in section [42a-9-107] 42a-9-103a, as amended by this act; (9)  
6375 "commercial transactions financing agreement" means an agreement  
6376 entered into by a person in the course of his trade or business to make  
6377 loans to the taxpayer, part or all of the security for repayment of any  
6378 such loan being inventory acquired by the taxpayer in the ordinary  
6379 course of trade or business; (10) "qualified property" when used with  
6380 respect to a commercial transactions financing agreement, means  
6381 inventory; (11) "obligatory disbursement agreement" means an  
6382 agreement, entered into by a person in the course of trade or business,

6383 to make disbursements but such an agreement shall be considered  
6384 within this term only to the extent of disbursements which are  
6385 required to be made by reason of the intervention of the rights of a  
6386 person other than the taxpayer; (12) "qualified property" when used  
6387 with respect to obligatory disbursement agreement, means property  
6388 subject to the lien imposed in accordance with this section, at the time  
6389 of tax lien filing and, to the extent that the acquisition is directly  
6390 traceable to the disbursements under an obligatory disbursement  
6391 agreement, property acquired by the taxpayer after the time of tax lien  
6392 filing; (13) "inventory" means inventory as defined in [subsection (4) of  
6393 section 42a-9-109] subdivision (48) of subsection (a) of section 42a-9-  
6394 102, as amended by this act; (14) "lien creditor" means lien creditor as  
6395 that term is defined in [subsection (3) of section 42a-9-301] subdivision  
6396 (52) of subsection (a) of section 42a-9-102, as amended by this act.

6397 (b) Upon failure of any person to pay any tax, except taxes under  
6398 chapter 216, due the state within thirty days from its due date, or if  
6399 before the due date of any tax, except taxes under said chapter 216, the  
6400 Commissioner of Revenue Services believes that the collection of such  
6401 tax will be jeopardized by delay, the state shall have a lien, upon  
6402 perfection as hereinafter provided, upon the goods situated in this  
6403 state and owned by the taxpayer upon the date of perfection, or upon  
6404 the goods thereafter acquired by the taxpayer. Such lien shall attach  
6405 and become perfected at the time when notice of such lien is filed  
6406 pursuant to the filing provisions of part [4] 5 of article 9 of title 42a, as  
6407 amended by this act, and sections 79 to 97, inclusive, of this act, except  
6408 that the signature of the taxpayer against whose property the lien is  
6409 claimed shall not be required on said notice of lien and, in each case,  
6410 the lien shall be filed as if the debtor were located in this state. Except  
6411 as hereinafter provided, upon perfection, such lien shall have priority  
6412 over all subsequently perfected liens and security interests.

6413 (c) Each such notice of lien shall contain such information as will  
6414 identify (1) the owner of the property upon which the lien is claimed,

6415 (2) the residence or business address of such owner, (3) the specific  
6416 property claimed to be subject to such lien, (4) the location of such  
6417 property, (5) the type of tax, (6) the amount of tax and accrued  
6418 penalties and interest claimed to be due the state in relation to the lien  
6419 and (7) the tax period or periods for which such lien is claimed.

6420 (d) The lien shall be effective for a period of ten years from the date  
6421 of filing unless discharged as hereinafter provided.

6422 (e) A notice of tax lien having been filed, the state shall have the  
6423 rights and remedies of a secured party, as provided in sections [42a-9-  
6424 501 to 42a-9-507, inclusive,] 98 to 125, inclusive, of this act and the  
6425 taxpayer against whom said lien has been filed shall have the rights  
6426 and remedies of a debtor, as provided in [said sections 42a-9-501 to  
6427 42a-9-507, inclusive] sections 98 to 125, inclusive, of this act. In  
6428 proceeding to enforce such lien, the state shall observe the procedures  
6429 applicable to a secured party under [said sections 42a-9-501 to 42a-9-  
6430 507, inclusive] sections 98 to 125, inclusive, of this act.

6431 (f) Even though notice of tax lien has been filed, such lien shall not  
6432 be valid with respect to: (1) A security interest which came into  
6433 existence after tax lien filing but which (A) is in qualified property  
6434 covered by the terms of a written agreement entered into before tax  
6435 lien filing and constituting a commercial transactions financing  
6436 agreement or an obligatory disbursement agreement and (B) is  
6437 protected under the laws of this state against a judgment lien arising,  
6438 as of the time of tax lien filing, out of an unsecured obligation; (2) a  
6439 security interest which came into existence after tax lien filing by  
6440 reason of disbursements made before the forty-sixth day after the date  
6441 of tax lien filing, or before the person making such disbursements had  
6442 actual notice or knowledge of tax lien filing, whichever is earlier, but  
6443 only if such security interest (A) is in property subject at the time of tax  
6444 lien filing, to the lien imposed by this section and covered by the terms  
6445 of a written agreement entered into before tax lien filing and (B) is

6446 protected under the laws of this state against a judgment lien arising,  
6447 as of the time of tax lien filing, out of an unsecured obligation; (3)  
6448 tangible personal property purchased at retail, as against a purchaser  
6449 in the ordinary course of the seller's trade or business, unless at the  
6450 time of such purchase such purchaser intends such purchase to, or  
6451 knows such purchase will, hinder, evade, or defeat the collection of  
6452 any tax; or (4) a purchase money security interest, if said purchase  
6453 money security interest would be prior to a conflicting security interest  
6454 in the same collateral under section [42a-9-312] 44 of this act.

6455 (g) When the amount of tax, penalty or interest with respect to  
6456 which a lien has been created under this section has been satisfied, the  
6457 Commissioner of Revenue Services, upon request of any interested  
6458 party, shall issue a certificate discharging such lien, which certificate  
6459 shall be filed with the Uniform Commercial Code Division of the office  
6460 of the Secretary of the State in the same manner as termination  
6461 statements are filed under section [42a-9-404] 84 of this act.

6462 Sec. 156. Subdivision (70) of section 12-81 of the general statutes is  
6463 repealed and the following is substituted in lieu thereof:

6464 (70) New machinery and equipment used directly in the  
6465 manufacturing of goods or products and acquired through purchase  
6466 by any business organization or any affiliate of such business  
6467 organization as part of a technological upgrading of the manufacturing  
6468 process at a location in a distressed municipality, targeted investment  
6469 community, as defined in section 32-222, or enterprise zone designated  
6470 pursuant to section 32-70, and for which an eligibility certificate has  
6471 been issued by the Department of Economic and Community  
6472 Development, which business organization (A) is engaged in the  
6473 manufacturing, processing or assembling of raw materials, parts or  
6474 manufactured products, (B) has been in continuous operation in the  
6475 state for a period not less than five years prior to claiming the  
6476 exemption provided in this subdivision, (C) had gross receipts in an

6477 amount less than twenty million dollars in the year prior to claiming  
6478 the exemption provided in this subdivision, including receipts of any  
6479 affiliates of the business organization, and (D) has incurred costs in  
6480 acquiring such machinery and equipment not less than the greater of  
6481 (i) two hundred thousand dollars, or (ii) two hundred per cent of the  
6482 business organization's and affiliate's average expenditure for the  
6483 acquisition of machinery and equipment used directly in the  
6484 manufacturing of goods or products at the location in the distressed  
6485 municipality, targeted investment community or enterprise zone  
6486 designated pursuant to section 32-70 during the three years prior to  
6487 claiming the exemption provided in this subdivision, as follows: To the  
6488 extent of fifty per cent of its valuation for purposes of assessment in  
6489 each of the five full assessment years following the assessment year in  
6490 which such machinery and equipment is acquired. Any person who  
6491 desires to claim the exemption provided in this subdivision shall file  
6492 annually with the assessor or board of assessors in the distressed  
6493 municipality, targeted investment community or enterprise zone  
6494 designated pursuant to section 32-70 in which the business  
6495 organization is located, on or before the first day of November, written  
6496 application claiming such exemption on a form prescribed by the  
6497 Secretary of the Office of Policy and Management. Failure to file such  
6498 application in this manner and form within the time limit prescribed  
6499 shall constitute a waiver of the right to such exemption for such  
6500 assessment year, unless an extension of time is allowed pursuant to  
6501 section 12-81k, and upon payment of the required fee for late filing. No  
6502 person shall be eligible to receive the exemption provided in this  
6503 subdivision if such exemption is sought for machinery and equipment  
6504 located in a manufacturing facility as defined in subsection (d) of  
6505 section 32-9p, currently receiving assistance under subdivisions (59)  
6506 and (60) of section 12-81, and no person shall receive such exemption  
6507 for eligible machinery or equipment at each location in a distressed  
6508 municipality, targeted investment community or enterprise zone  
6509 designated pursuant to section 32-70 more than once in any continuous

6510 five-year period. The state and the municipality and district shall hold  
6511 a security interest, as defined in subdivision (37) of section 42a-1-201,  
6512 as amended by this act, in any machinery or equipment which is  
6513 exempt from taxation pursuant to this subsection, in an amount equal  
6514 to the tax revenue reimbursed or lost, as the case may be, which shall  
6515 be subordinate to any purchase money security interest, as defined in  
6516 section [42a-9-107] 42a-9-103a, as amended by this act. Such security  
6517 interest shall be enforceable against the taxpayer for a period of five  
6518 years after the last assessment year in which such exemption was  
6519 received in any case in which the business organization ceases all  
6520 business operations or moves its business operations entirely out of  
6521 this state.

6522 Sec. 157. Subdivision (72) of section 12-81 of the general statutes is  
6523 repealed and the following is substituted in lieu thereof:

6524 (72) (A) New machinery and equipment, as defined herein, acquired  
6525 after October 1, 1990, and newly-acquired machinery and equipment,  
6526 as defined herein, acquired on or after July 1, 1992, by the person  
6527 claiming exemption under this subdivision, provided this exemption  
6528 shall only be applicable in the five full assessment years following the  
6529 assessment year in which such machinery or equipment is acquired,  
6530 subject to the provisions of subparagraph (B) of this subdivision.  
6531 Machinery and equipment acquired on or after July 1, 1996, and used  
6532 in connection with biotechnology shall qualify for the exemption  
6533 under this subsection. For the purposes of this subdivision: (i)  
6534 "Machinery" and "equipment" mean tangible personal property which  
6535 is installed in a manufacturing facility, either five-year property or  
6536 seven-year property, as those terms are defined in Section 168(e) of the  
6537 Internal Revenue Code of 1986, or any subsequent corresponding  
6538 internal revenue code of the United States, as from time to time  
6539 amended, and the predominant use of which is for manufacturing,  
6540 processing or fabricating; for research and development, including  
6541 experimental or laboratory research and development, design or



6542 engineering directly related to manufacturing; for the significant  
6543 servicing, overhauling or rebuilding of machinery and equipment for  
6544 industrial use or the significant overhauling or rebuilding of other  
6545 products on a factory basis; for measuring or testing or for metal  
6546 finishing; or used in the production of motion pictures, video and  
6547 sound recordings. "Machinery" means the basic machine itself,  
6548 including all of its component parts and contrivances such as belts,  
6549 pulleys, shafts, moving parts, operating structures and all equipment  
6550 or devices used or required to control, regulate or operate the  
6551 machinery, including, without limitation, computers and data  
6552 processing equipment, together with all replacement and repair parts  
6553 therefor, whether purchased separately or in conjunction with a  
6554 complete machine, and regardless of whether the machine or  
6555 component parts thereof are assembled by the taxpayer or another  
6556 party. "Equipment" means any device separate from machinery but  
6557 essential to a manufacturing, processing or fabricating process. (ii)  
6558 "Manufacturing facility" means that portion of a plant, building or  
6559 other real property improvement used for manufacturing, processing  
6560 or fabricating, for research and development, including experimental  
6561 or laboratory research and development, design or engineering  
6562 directly related to manufacturing, for the significant servicing,  
6563 overhauling or rebuilding of machinery and equipment for industrial  
6564 use or the significant overhauling or rebuilding of other products on a  
6565 factory basis, for measuring or testing or for metal finishing. (iii)  
6566 "Manufacturing" means the activity of converting or conditioning  
6567 tangible personal property by changing the form, composition, quality  
6568 or character of the property for ultimate sale at retail or use in the  
6569 manufacturing of a product to be ultimately sold at retail. Changing  
6570 the quality of property shall include any substantial overhaul of the  
6571 property that results in a significantly greater service life than such  
6572 property would have had in the absence of such overhaul or with  
6573 significantly greater functionality within the original service life of the  
6574 property, beyond merely restoring the original functionality for the

6575 balance of the original service life. (iv) "Fabricating" means to make,  
6576 build, create, produce or assemble components or tangible personal  
6577 property work in a new or different manner. (v) "Processing" means  
6578 the physical application of the materials and labor necessary to modify  
6579 or change the characteristics of tangible personal property. (vi)  
6580 "Measuring or testing" includes both nondestructive and destructive  
6581 measuring or testing, and the alignment and calibration of machinery,  
6582 equipment and tools, in the furtherance of the manufacturing,  
6583 processing or fabricating of tangible personal property. (vii)  
6584 "Biotechnology" means the application of technologies, including  
6585 recombinant DNA techniques, biochemistry, molecular and cellular  
6586 biology, genetics and genetic engineering, biological cell fusion  
6587 techniques, and new bioprocesses, using living organisms, or parts of  
6588 organisms, to produce or modify products, to improve plants or  
6589 animals, to develop microorganisms for specific uses, to identify  
6590 targets for small molecule pharmaceutical development, to transform  
6591 biological systems into useful processes and products or to develop  
6592 microorganisms for specific uses;

6593 (B) Any person who on October first in any year holds title to  
6594 machinery and equipment for which [he] such person desires to claim  
6595 the exemption provided in this subdivision shall file with the assessor  
6596 or board of assessors in the municipality in which the machinery or  
6597 equipment is located, on or before the first day of November in such  
6598 year, a list of such machinery or equipment together with written  
6599 application claiming such exemption on a form prescribed by the  
6600 Secretary of the Office of Policy and Management. Such application  
6601 shall include the taxpayer identification number assigned to the  
6602 claimant by the Commissioner of Revenue Services and the federal  
6603 employer identification number assigned to the claimant by the  
6604 Secretary of the Treasury. If title to such equipment is held by a person  
6605 other than the person claiming the exemption, the claimant shall  
6606 include on [his] the application information as to the portion of the  
6607 total acquisition cost incurred by [him] the claimant, and on or before

6608 the first day of November in such year, the person holding title to such  
6609 machinery and equipment shall file a list of such machinery with the  
6610 assessor of the municipality in which the manufacturing facility of the  
6611 claimant is located. Such person shall include on the list information as  
6612 to the portion of the total acquisition cost incurred by [him] such  
6613 person. Commercial or financial information in any application or list  
6614 filed under this section shall not be open for public inspection,  
6615 provided such information is given in confidence and is not available  
6616 to the public from any other source. The provisions of this subdivision  
6617 regarding the filing of lists and information shall not supersede the  
6618 requirements to file tax lists under sections 12-42, 12-43, 12-57a and 12-  
6619 59. In substantiation of such claim, the claimant and the person  
6620 holding title to machinery and equipment for which exemption is  
6621 claimed shall present to the assessor or board of assessors such  
6622 supporting documentation as said secretary may require, including,  
6623 but not limited to, invoices, bills of sale, contracts for lease and bills of  
6624 lading. Failure to file such application in this manner and form within  
6625 the time limit prescribed shall constitute a waiver of the right to such  
6626 exemption for such assessment year, unless an extension of time is  
6627 allowed pursuant to section 12-81k. If title to exempt machinery is  
6628 conveyed subsequent to October first in any assessment year,  
6629 entitlement to such exemption shall terminate for the next assessment  
6630 year and there shall be no pro rata application of the exemption unless  
6631 such machinery or equipment continues to be leased by the  
6632 manufacturer who claimed and was approved for the exemption in the  
6633 previous assessment year. Machinery or equipment shall not be  
6634 eligible for exemption upon transfer to a business organization related  
6635 to or affiliated with the seller or from a lessor to a lessee except to the  
6636 extent it would have been eligible for exemption by the seller or the  
6637 lessor, as the case may be;

6638 (C) Any person claiming the exemption provided under this  
6639 subdivision for machinery or equipment shall not be eligible to claim  
6640 the exemption provided under subdivision (60) of this section or

6641 subdivision (70) of this section for the same machinery or equipment.  
6642 The state and the municipality and district shall hold a security  
6643 interest, as defined in subdivision (37) of section 42a-1-201, as  
6644 amended by this act, in any machinery or equipment which is exempt  
6645 from taxation pursuant to this subdivision, in an amount equal to the  
6646 tax revenue reimbursed or lost, as the case may be, which shall be  
6647 subordinate to any purchase money security interest, as defined in  
6648 section [42a-9-107] 42a-9-103a, as amended by this act. Such security  
6649 interest shall be enforceable against the claimant for a period of five  
6650 years after the last assessment year in which such exemption was  
6651 received in any case in which said manufacturer ceases all  
6652 manufacturing operations or moves its manufacturing operations  
6653 entirely out of this state. The following shall not be eligible for the  
6654 exemption provided under this subdivision: (i) A public service  
6655 company, as defined in section 16-1; and (ii) any provider, directly or  
6656 indirectly, of electricity, oil, water or gas;

6657 (D) A claim for property tax exemption under this subdivision may  
6658 be denied by the assessor or board of assessors of a town, consolidated  
6659 town and city or consolidated town and borough, with the consent of  
6660 the chief executive officer thereof, if the claimant is delinquent in a  
6661 property tax payment to such town, consolidated town and city or  
6662 consolidated town and borough, pursuant to section 12-146, for  
6663 property owned by such claimant. Before any such claim is denied, the  
6664 assessor or board of assessors shall send written notice to the claimant,  
6665 stating that [he] the claimant may pay the amount of such delinquent  
6666 tax or enter into an agreement with such town, consolidated town and  
6667 city or consolidated town and borough for the payment thereof, by the  
6668 date set forth in [said] such notice, provided, such date shall not be less  
6669 than thirty days after the date of such notice. Failure on the part of the  
6670 claimant to pay the amount of the delinquent tax or enter into an  
6671 agreement to pay the amount thereof by said date shall result in a  
6672 disallowance of the exemption being claimed; [.]

6673 (E) The secretary, in ~~[his]~~ the secretary's discretion, may deny any  
6674 claim for exemption under the provisions of this subdivision for new  
6675 machinery and equipment by a claimant who is delinquent in the  
6676 payment of corporation business tax imposed under chapter 208, as  
6677 reported on the list provided by the Commissioner of Revenue  
6678 Services pursuant to subsection (b) of section 12-7a and who qualified  
6679 for exemption under this subdivision in the preceding year. On or  
6680 before September first annually, commencing September 1, 1998, the  
6681 secretary shall send a written notice to any claimant identified on said  
6682 list and to the assessor of the town in which the property is subject to  
6683 taxation, stating that the property tax exemption allowed by this  
6684 subdivision for the assessment date following the date on which such  
6685 notice is sent, shall be denied by the assessor of the town in which the  
6686 property of the taxpayer is subject to taxation unless the taxpayer  
6687 provides written documentation from the Department of Revenue  
6688 Services that the delinquency has been cleared. Such written  
6689 documentation shall substantiate that the delinquency was cleared on  
6690 or before the statutory date for the filing of an application for  
6691 exemption under this subdivision, provided, if a taxpayer receives an  
6692 extension of the filing date pursuant to section 12-81k, the date by  
6693 which ~~[he]~~ the taxpayer shall be required to clear such tax delinquency  
6694 shall be extended for a like period of time. No assessor shall approve  
6695 an application for the exemption under this subdivision that is not  
6696 accompanied by the written documentation required from a claimant  
6697 who was sent a notification by the secretary of the Office of Policy and  
6698 Management.

6699 Sec. 158. Section 12-195a of the general statutes is repealed and the  
6700 following is substituted in lieu thereof:

6701 As used in sections 12-195a to 12-195g, as amended by this act,  
6702 inclusive, unless the context requires otherwise:

6703 (a) "Goods" means goods as defined in [subdivision (h) of

6704 subsection (1) of section 42a-9-105] subdivision (44) of subsection (a) of  
6705 section 42a-9-102, as amended by this act;

6706 (b) "Proceeds" means proceeds as defined in [subsection (1) of  
6707 section 42a-9-306] subdivision (64) of subsection (a) of section 42a-9-  
6708 102, as amended by this act;

6709 (c) "Debtor" means taxpayer;

6710 (d) "Secured party" means municipality;

6711 (e) "Collateral" means property which is the subject of the lien;

6712 (f) "Obligations" means amount of tax and accrued interest claimed  
6713 to be due by the municipality by the lien;

6714 (g) "Default" means the date of filing of notice of a tax lien;

6715 (h) "Person" means any individual, trust, partnership, association,  
6716 company, limited liability company or corporation;

6717 (i) "Purchase money security interest" means purchase money  
6718 security interest as defined in section [42a-9-107] 42a-9-103a, as  
6719 amended by this act.

6720 Sec. 159. Section 12-195b of the general statutes is repealed and the  
6721 following is substituted in lieu thereof:

6722 (a) If any personal property tax, other than a tax on a motor vehicle,  
6723 due any municipality is not paid within the time limited by any local  
6724 charter or ordinance, or in the event that the municipality, following  
6725 the assessment date for such tax, has reason to believe that such tax  
6726 will not be paid when due, the municipality shall have a lien, upon  
6727 perfection as hereinafter provided, upon the goods situated in this  
6728 state and owned by the taxpayer upon the date of perfection, or upon  
6729 the goods thereafter acquired by the taxpayer. Such lien shall attach  
6730 and become perfected at the time when notice of such lien is filed

6731 pursuant to the filing provisions of part [4] 5 of article 9 of title 42a, as  
6732 amended by this act, and sections 79 to 97, inclusive, of this act, except  
6733 that the signature of the taxpayer against whose property the lien is  
6734 claimed shall not be required on said notice of lien and, in each case,  
6735 the notice of lien shall be filed as if the debtor were located in this state.  
6736 Except as hereinafter provided, upon perfection, such lien shall have  
6737 priority over all subsequently perfected liens and security interests.  
6738 Such lien shall not attach to or be applicable to proceeds.

6739 (b) On and after July 1, 1999, and except as otherwise provided by  
6740 law, a notice of lien upon personal property for taxes payable to a  
6741 municipality shall, once perfected under part [4] 5 of article 9 of title  
6742 42a, as amended by this act, and sections 79 to 97, inclusive, of this act,  
6743 have priority over all previously perfected liens and security interests  
6744 and other encumbrances of record under the Connecticut Uniform  
6745 Commercial Code. If more than one municipality perfects such a  
6746 notice of lien on the same day, the priority of such liens shall be  
6747 determined by the time of day such liens were perfected, and if  
6748 perfected at the same time, the lien for the highest tax amount shall  
6749 take precedence. As used in this section, "municipality" means any  
6750 town, consolidated town and city, consolidated town and borough,  
6751 borough, district, as defined in section 7-324, and any city not  
6752 consolidated with a town.

6753 (c) The provisions of this section shall not be construed to create any  
6754 implication related to the priority of a lien perfected on or before June  
6755 30, 1999.

6756 Sec. 160. Section 12-195e of the general statutes is repealed and the  
6757 following is substituted in lieu thereof:

6758 A municipality which has filed a notice of tax lien and the taxpayer  
6759 against whom said lien has been filed, shall have the rights and  
6760 remedies of a secured party and debtor, respectively, as provided for  
6761 in sections [42a-9-501 to 42a-9-507, inclusive,] 98 to 125, inclusive, of

6762 this act, except that the municipality shall not have the right to propose  
6763 to retain any property in satisfaction of the obligation as provided in  
6764 section [42a-9-505] 117 of this act. In proceeding to enforce said lien,  
6765 the municipality shall observe the procedures applicable to a secured  
6766 party under [said sections 42a-9-501 to 42a-9-507, inclusive] sections 98  
6767 to 125, inclusive, of this act.

6768 Sec. 161. Section 12-195f of the general statutes is repealed and the  
6769 following is substituted in lieu thereof:

6770 Even though notice of a lien has been filed by a municipality, such  
6771 lien shall not be valid:

6772 (1) With respect to a security interest which came into existence after  
6773 tax lien filing but which (A) is in qualified property covered by the  
6774 terms of a written agreement entered into before tax lien filing and  
6775 constituting (i) a commercial transactions financing agreement, or (ii)  
6776 an obligatory disbursement agreement, and (B) is protected under the  
6777 laws of the state of Connecticut against a judgment lien arising, as of  
6778 the time of tax lien filing, out of an unsecured obligation. (C) For  
6779 purposes of this section, (i) the term "commercial transactions  
6780 financing agreement" means an agreement, entered into by a person in  
6781 the course of [his] such person's trade or business, to make loans to the  
6782 taxpayer, part or all of the security for repayment of said loans being  
6783 inventory acquired by the taxpayer in the ordinary course of [his] such  
6784 taxpayer's trade or business, but such an agreement shall be treated as  
6785 coming within the term only to the extent that such loan is made  
6786 before the forty-sixth day after the date of tax lien filing or before the  
6787 lender had actual notice or knowledge of such tax lien filing,  
6788 whichever is earlier. (ii) The term "qualified property", when used with  
6789 respect to a commercial transactions financing agreement, means  
6790 inventory acquired by the taxpayer before the forty-sixth day after the  
6791 date of tax lien filing. (iii) The term "obligatory disbursement  
6792 agreement" means an agreement, entered into by a person in the



6793 course of [his] such person's trade or business, to make disbursements,  
6794 but such an agreement shall be treated as coming within the term only  
6795 to the extent of disbursements which are required to be made by  
6796 reason of the intervention of the rights of a person other than the  
6797 taxpayer. (iv) The term "qualified property", when used with respect to  
6798 an obligatory disbursement agreement, means property subject to the  
6799 lien imposed by sections 12-195a to 12-195g, inclusive, as amended by  
6800 this act, at the time of tax lien filing and, to the extent that the  
6801 acquisition is directly traceable to the disbursements referred to in  
6802 subparagraph (iii), property acquired by the taxpayer after tax lien  
6803 filing. (v) The term "inventory" when used in this section means  
6804 inventory as defined in [subsection (4) of section 42a-9-109]  
6805 subdivision (48) of subsection (a) of section 42a-9-102, as amended by  
6806 this act;

6807 (2) With respect to a security interest which came into existence after  
6808 tax lien filing by reason of disbursements made before the forty-sixth  
6809 day after the date of tax lien filing, or before the person making such  
6810 disbursements had actual notice or knowledge of tax lien filing,  
6811 whichever is earlier, but only if such security interest (A) is in property  
6812 (i) subject, at the time of tax lien filing, to the lien imposed by sections  
6813 12-195a to 12-195g, inclusive, as amended by this act, and (ii) covered  
6814 by the terms of a written agreement entered into before tax lien filing,  
6815 and (B) is protected under the laws of the state of Connecticut against a  
6816 judgment lien arising, as of the time of tax lien filing, out of an  
6817 unsecured obligation;

6818 (3) With respect to tangible personal property purchased at retail, as  
6819 against a purchaser in the ordinary course of the seller's trade or  
6820 business, unless at the time of such purchase such purchaser intends  
6821 such purchase to, or knows such purchase will, hinder, evade, or  
6822 defeat the collection of any tax under said sections;

6823 (4) With respect to a purchase money security interest, if said

6824 purchase money security interest would be prior to a conflicting  
6825 security interest in the same collateral under [section 42a-9-312]  
6826 sections 42 and 44 of this act.

6827 Sec. 162. Section 12-195g of the general statutes is repealed and the  
6828 following is substituted in lieu thereof:

6829 If any lien created under sections 12-195a to 12-195g, inclusive, as  
6830 amended by this act, shall be discharged, then a certificate of discharge  
6831 shall promptly be filed by the tax collector of the municipality which  
6832 originally filed the notice of lien, or by [his] the tax collector's successor  
6833 with the Uniform Commercial Code Division of the office of the  
6834 Secretary of the State in the same manner as termination statements are  
6835 filed under section [42a-9-404] 84 of this act. The municipal officer who  
6836 has filed the notice of lien shall file a notice of discharge of the lien in  
6837 the manner provided in this section if: A. The taxes for which the lien  
6838 has been filed are fully paid together with all interest due thereon or;  
6839 B. a cash bond or surety company bond is furnished to the  
6840 municipality conditioned upon the payment of the amount liened  
6841 together with interest due thereon within the effective period of the  
6842 lien as hereinbefore provided or; C. a final judgment shall be rendered  
6843 in favor of the taxpayer or others claiming an interest in the personal  
6844 property liened determining that the tax is not owed, or that the lien is  
6845 not valid. If the judgment shall determine that the tax is partially  
6846 owed, then the officer who filed the notice of lien or [his] the officer's  
6847 successor shall within ten days of the rendition of the final judgment of  
6848 the court file an amended tax lien for the actual amount of tax found to  
6849 be due by the court, which amended lien shall be effective as to the  
6850 revised amount of the lien as of the date of the filing of the original  
6851 notice of tax lien, and said officer or [his] said officer's successor at the  
6852 time of the filing of the amended tax lien shall also file a discharge of  
6853 the original tax lien.

6854 Sec. 163. Section 14-165 of the general statutes is repealed and the

6855 following is substituted in lieu thereof:

6856 Except when the context otherwise requires, as used in this chapter:

6857 (a) "Dealer" means a person engaged in the business of buying,  
6858 selling or exchanging vehicles who is licensed under the provisions of  
6859 chapter 246.

6860 (b) "Commissioner" means the Commissioner of Motor Vehicles.

6861 (c) "Identification number" means the numbers and letters, if any, on  
6862 a vehicle designated by the commissioner for the purpose of  
6863 identifying the vehicle.

6864 (d) "Implement of husbandry" means a vehicle registered as a farm  
6865 vehicle or a vehicle designated and adapted exclusively for  
6866 agricultural, horticultural or livestock-raising operations or for lifting  
6867 or carrying an implement of husbandry.

6868 (e) "Lienholder" means a person holding a security interest in a  
6869 vehicle.

6870 (f) "Owner" means a person, other than a lienholder, having the  
6871 property in or title to a vehicle. The term includes a person entitled to  
6872 the use and possession of a vehicle subject to a security interest in  
6873 another person, but excludes a lessee under a lease not intended as  
6874 security.

6875 (g) "Security agreement" means a "security agreement" as defined in  
6876 [section 42a-9-105(1)(l)] subdivision (78) of subsection (a) of section  
6877 42a-9-102, as amended by this act.

6878 (h) "Security interest" means a "security interest" as defined in  
6879 [section 42a-1-201(37)] subdivision (37) of section 42a-1-201, as  
6880 amended by this act.

6881 (i) "Special mobile equipment" means a vehicle not designed for the

6882 transportation of persons or property upon a highway and only  
6883 incidentally operated or moved over a highway, including but not  
6884 limited to, ditch-digging apparatus, well-boring apparatus and road  
6885 construction and maintenance machinery such as asphalt spreaders,  
6886 bituminous mixers, bucket loaders, street sweepers, tractors other than  
6887 truck tractors, ditchers, leveling graders, finishing machines, motor  
6888 graders, road rollers, scarifiers, earth moving carry-alls and scrapers,  
6889 power shovels and drag lines, and self-propelled cranes and earth  
6890 moving equipment. The term does not include house trailers, dump  
6891 trucks, truck-mounted transit mixers, cranes or shovels, or other  
6892 vehicles designed for the transportation of persons or property to  
6893 which machinery has been attached.

6894 (j) "State" means a state, territory or possession of the United States,  
6895 the District of Columbia, the Commonwealth of Puerto Rico or a  
6896 province of the Dominion of Canada.

6897 (k) "Vehicle" means a motor vehicle as defined by section 14-1.

6898 (l) "Manufacturer's or importer's certificate of origin" means the  
6899 original written instrument or document required to be executed and  
6900 delivered by the manufacturer to [his] the manufacturer's agent or  
6901 dealer, or a person purchasing direct from the manufacturer, certifying  
6902 the origin of the vehicle.

6903 Sec. 164. Section 14-167 of the general statutes is repealed and the  
6904 following is substituted in lieu thereof:

6905 This chapter does not apply to or affect: (a) A lien given by statute  
6906 or rule of law to a supplier of services or materials for the vehicle; (b) a  
6907 lien given by statute to the United States, this state or any political  
6908 subdivision of this state; (c) a security interest in a vehicle created by a  
6909 manufacturer or dealer who holds the vehicle for sale, but a buyer in  
6910 the ordinary course of business, as defined in [section 42a-1-201(9)]  
6911 subdivision (9) of section 42a-1-201, as amended by this act, takes free

6912 of the security interest, as stated in section [42a-9-307(1)] 40 of this act.

6913       Sec. 165. Section 14-185 of the general statutes is repealed and the  
6914 following is substituted in lieu thereof:

6915       (a) Unless excepted by section 14-167, as amended by this act, a  
6916 security interest in a vehicle of a type for which a certificate of title is  
6917 required is perfected by the delivery to the commissioner of the  
6918 existing certificate of title, if any, an application for a certificate of title  
6919 containing the name and address of the lienholder and the date of [his]  
6920 the security agreement and the required fee. It is perfected as of the  
6921 time when it attached if such delivery is completed within twenty days  
6922 thereafter, and without regard to the limitations expressed in section  
6923 [42a-9-301 (2)] 42a-9-317, as amended by this act; otherwise it is  
6924 perfected as of the time of such delivery.

6925       (b) An unperfected security interest is subordinate to the rights of  
6926 the persons described in section [42a-9-301] 42a-9-317, as amended by  
6927 this act, and section 43 of this act.

6928       (c) The rules of priority stated in [section 42a-9-312] sections 42 to  
6929 44, inclusive, of this act, and the other sections therein referred to,  
6930 shall, to the extent appropriate, apply to conflicting security interests  
6931 in a vehicle of a type for which a certificate of title is required or in a  
6932 "previously registered vehicle", as defined in section 14-201. A security  
6933 interest perfected under this section or under section 14-201 is a  
6934 security interest perfected otherwise than by filing for the purposes of  
6935 [section 42a-9-312] sections 42 to 44, inclusive, of this act.

6936       (d) If a vehicle is subject to a security interest when brought into this  
6937 state, [subsections (1), (2) and (3) of section 42a-9-103a state] section  
6938 42a-9-316, as amended by this act, states the rules which apply to  
6939 determine the validity and perfection of the security interest in this  
6940 state.

6941       Sec. 166. Subsection (b) of section 16-245k of the general statutes is  
6942 repealed and the following is substituted in lieu thereof:

6943       (b) A valid and enforceable security interest in transition property is  
6944 perfected when it has attached and when a financing statement has  
6945 been filed in accordance with part [4] 5 of article 9 of title 42a, as  
6946 amended by this act, and sections 79 to 97, inclusive, of this act,  
6947 naming the pledgor of the transition property as "debtor" and  
6948 identifying the transition property. Any description of the transition  
6949 property shall be sufficient if it refers to the financing order creating  
6950 the transition property. In each case, the financing statement shall be  
6951 filed as if the debtor were located in this state. A copy of the financing  
6952 statement shall be filed with the department by the electric company  
6953 or electric distribution company that is the pledgor or transferor of the  
6954 transition property, and the department may require the electric  
6955 company or electric distribution company to make other filings with  
6956 respect to the security interest in accordance with procedures it may  
6957 establish, provided that the filings shall not affect the perfection of the  
6958 security interest.

6959       Sec. 167. Subsection (j) of section 16-245k of the general statutes is  
6960 repealed and the following is substituted in lieu thereof:

6961       (j) As between bona fide assignees of the same right for value  
6962 without notice, the assignee first filing a financing statement in  
6963 accordance with part [4] 5 of article 9 of title 42a, as amended by this  
6964 act, and sections 79 to 97, inclusive, of this act, naming the assignor of  
6965 the transition property as debtor and identifying the transition  
6966 property has priority. In each such case, the financing statement shall  
6967 be filed as if the debtor were located in this state. Any description of  
6968 the transition property shall be sufficient if it refers to the financing  
6969 order creating the transition property. A copy of the financing  
6970 statement shall be filed by the assignee with the department, and the  
6971 department may require the assignor or the assignee to make other

6972 filings with respect to the transfer in accordance with procedures it  
6973 may establish, but these filings shall not affect the perfection of the  
6974 transfer.

6975 Sec. 168. Subsection (b) of section 22a-452a of the general statutes is  
6976 repealed and the following is substituted in lieu thereof:

6977 (b) A lien pursuant to this section shall not be effective unless (1) a  
6978 certificate of lien is filed in the land records of each town in which the  
6979 real estate is located, describing the real estate, the amount of the lien,  
6980 the name of the owner as grantor, and (2) the commissioner mails a  
6981 copy of the certificate to the owner of record and to all other persons of  
6982 record holding an interest in such real estate over which the  
6983 commissioner's lien is entitled to priority. Upon presentation of a  
6984 certificate of lien, the town clerk shall endorse thereon his  
6985 identification and the date and time of receipt and forthwith record it  
6986 in accordance with section [42a-9-409] 90 of this act.

6987 Sec. 169. Subsection (f) of section 32-23f of the general statutes is  
6988 repealed and the following is substituted in lieu thereof:

6989 (f) The principal of and interest on bonds or notes issued by the  
6990 authority may be secured by a pledge of any revenues and receipts of  
6991 the authority derived from any project and may be additionally  
6992 secured by a mortgage or deed of trust covering all or any part of a  
6993 project, including any additions, improvements, extensions to or  
6994 enlargements of any projects thereafter made. Such bonds or notes  
6995 may also be secured by a pledge or assignment of a loan agreement,  
6996 conditional sale agreement or agreement of sale or by an assignment of  
6997 the lease of any project for the construction and acquisition of which  
6998 said bonds or notes are issued and by an assignment of the revenues  
6999 and receipts derived by the authority from such project. The payments  
7000 of principal and interest on such bonds or notes may be additionally  
7001 secured by a pledge of any other property, revenues, moneys, or funds  
7002 available to the authority for such purpose. The resolution authorizing

7003 the issuance of any such bonds or notes and any such mortgage or  
7004 deed of trust or lease or loan agreement, conditional sale agreement or  
7005 agreement of sale or credit agreement may contain agreements and  
7006 provisions respecting the establishment of reserves to secure such  
7007 bonds or notes, the maintenance and insurance of the projects covered  
7008 thereby, the fixing and collection of rents for any portion thereof leased  
7009 by the authority to others or the sums to be paid under any conditional  
7010 sale agreement or agreement of sale entered into by the authority with  
7011 others, the creation and maintenance of special funds from such  
7012 revenues and the rights and remedies available in the event of default,  
7013 the vesting in a trustee or trustees of such property, rights, powers and  
7014 duties in trust as the authority may determine, which may include any  
7015 or all of the rights, powers and duties of any trustee appointed by the  
7016 holders of any bonds and notes and limiting or abrogating the right of  
7017 the holders of any bonds and notes of the authority to appoint a trustee  
7018 under this chapter, chapter 578 and subsection (a) of section 10-320b,  
7019 or limiting the rights, powers and duties of such trustee; provision for  
7020 a trust agreement by and between the authority and a corporate trust  
7021 which may be any trust company or bank having the powers of a trust  
7022 company within or without the state, which agreement may provide  
7023 for the pledging or assigning of any revenues or assets or income from  
7024 assets to which or in which the authority has any rights or interest, and  
7025 may further provide for such other rights and remedies exercisable by  
7026 the trustee as may be proper for the protection of the holders of any  
7027 bonds or notes and not otherwise in violation of law, and such  
7028 agreement may provide for the restriction of the rights of any  
7029 individual holder of bonds or notes of the authority and may contain  
7030 any further provisions which are reasonable to delineate further the  
7031 respective rights, duties, safeguards, responsibilities and liabilities of  
7032 the authority; persons and collective holders of bonds or notes of the  
7033 authority and the trustee; and covenants to do or refrain from doing  
7034 such acts and things as may be necessary or convenient or desirable in  
7035 order to better secure any bonds or notes of the authority, or which, in



7036 the discretion of the authority, will tend to make any bonds or notes to  
7037 be issued more marketable notwithstanding that such covenants, acts  
7038 or things may not be enumerated herein; and any other matters of like  
7039 or different character, which in any way affect the security or  
7040 protection of the bonds or notes, all as the authority shall deem  
7041 advisable and not in conflict with the provisions hereof. Each pledge,  
7042 agreement, mortgage and deed of trust made for the benefit or security  
7043 of any of the bonds or notes of the authority shall be in effect until the  
7044 principal of and interest on the bonds or notes for the benefit of which  
7045 the same were made have been fully paid, or until provision has been  
7046 made for payment in the manner provided in the resolution or  
7047 resolutions authorizing their issuance. Any pledge made in respect of  
7048 such bonds or notes shall be valid and binding from the time when the  
7049 pledge is made; the revenues, money or property so pledged and  
7050 thereafter received by the authority shall immediately be subject to the  
7051 lien of such pledge without any physical delivery thereof or further  
7052 act; and the lien of any such pledge shall be valid and binding as  
7053 against all parties having claims of any kind in tort, contract or  
7054 otherwise against the authority irrespective of whether such parties  
7055 have notice thereof. Neither the resolution, trust indenture nor any  
7056 other instrument by which a pledge is created need be recorded. The  
7057 resolution authorizing the issuance of such bonds or notes may  
7058 provide for the enforcement of any such pledge or security in any  
7059 lawful manner. The authority may elect, notwithstanding the  
7060 exclusions provided in [section 42a-9-104(e)] subdivision (14) of  
7061 subsection (d) of section 42a-9-109, as amended by this act, to have the  
7062 provisions of the Connecticut uniform commercial code apply to any  
7063 pledge made by or to the authority to secure its bonds or notes by  
7064 filing a financing statement with respect to the security interest created  
7065 by the pledge. In each such case, the financing statement shall be filed  
7066 as if the debtor were located in this state.

7067 Sec. 170. Section 36a-770 of the general statutes is repealed and the  
7068 following is substituted in lieu thereof:

7069 (a) The Uniform Commercial Code. A transaction subject to  
7070 sections 36a-770 to 36a-788, inclusive, 42-100b and 42-100c is also  
7071 subject to the Uniform Commercial Code, title 42a, but in case of any  
7072 conflict the provisions of sections 36a-770 to 36a-788, inclusive, 42-100b  
7073 and 42-100c shall control.

7074 (b) Filing and recording. Section [42a-9-302] 42a-9-310, as amended  
7075 by this act, determines the need for filing or recording to perfect a  
7076 security interest, section [42a-9-301] 42a-9-317, as amended by this act,  
7077 the persons who take subject to an unperfected security interest, and  
7078 [sections 42a-9-302(3)(b) and 42a-9-401 to 42a-9-409, inclusive] section  
7079 42a-9-311, as amended by this act, sections 42a-9-501 to 42a-9-507,  
7080 inclusive, as amended by this act, and sections 79 to 89, inclusive, of  
7081 this act, the place for such filing or recording.

7082 (c) Definitions. As used in sections 36a-770 to 36a-788, inclusive, 42-  
7083 100b and 42-100c, unless the context otherwise requires:

7084 (1) "Boat" means any watercraft, as defined in section 22a-248, other  
7085 than a seaplane, used or capable of being used as a means of  
7086 transportation on water, by any power including muscular.

7087 (2) "Cash price" means the total amount in dollars at which the seller  
7088 and buyer agreed the seller would transfer unqualified title to the  
7089 goods, if the transaction were a cash sale instead of a sale under a retail  
7090 installment contract.

7091 (3) "Commercial vehicle" means any domestic or foreign truck or  
7092 truck tractor of ten thousand or more pounds gross vehicular weight  
7093 or any trailer or semitrailer designed for use in connection with any  
7094 truck or truck tractor of ten thousand or more pounds gross vehicular  
7095 weight and which is not used primarily for personal, family or  
7096 household use.

7097 (4) "Filing fee" means the fee prescribed by law for filing, recording

7098 or otherwise perfecting and releasing or satisfying a security interest,  
7099 as defined in [section 42a-1-201(37)] subdivision (37) of section 42a-1-  
7100 201, as amended by this act, retained or created by a retail installment  
7101 contract or installment loan contract.

7102 (5) "Finance charge" means the amount in excess of the cash price of  
7103 the goods agreed upon by the retail seller and the retail buyer, to be  
7104 paid by the retail buyer for the privilege of purchasing the goods  
7105 under the retail installment contract or installment loan contract.

7106 (6) "Goods" means (A) "consumer goods", as defined in [sections  
7107 42a-9-105(1)(h) and 42a-9-109(1)] subdivision (23) of subsection (a) of  
7108 section 42a-9-102, as amended by this act, and motor vehicles included  
7109 under such [definitions] definition, having an aggregate cash price of  
7110 fifty thousand dollars or less, and (B) equipment, as defined in [section  
7111 42a-9-109(2)] subdivision (33) of subsection (a) of section 42a-9-102, as  
7112 amended by this act, having an aggregate cash price of sixteen  
7113 thousand dollars or less, provided such consumer goods or such  
7114 equipment is included in one retail installment contract or installment  
7115 loan contract.

7116 (7) "Installment loan contract" means any agreement made in this  
7117 state to repay in installments the amount loaned or advanced to a retail  
7118 buyer for the purpose of paying the retail purchase price of goods and  
7119 by virtue of which a security interest, as defined in [section 42a-1-  
7120 201(37)] subdivision (37) of section 42a-1-201, as amended by this act,  
7121 is taken in the goods for the payment of the amount loaned or  
7122 advanced. For purposes of this subdivision, "installment loan contract"  
7123 does not include agreements to repay in installments loans made by  
7124 the United States or any department, agency or instrumentality  
7125 thereof.

7126 (8) "Lender" means a person who extends or offers to extend credit  
7127 to a retail buyer under an installment loan contract.

7128 (9) A retail installment contract or installment loan contract is "made  
7129 in this state" if: (A) An offer or agreement is made in Connecticut by a  
7130 retail seller or a lender to sell or extend credit to a resident retail buyer,  
7131 including, but not limited to, any verbal or written solicitation or  
7132 communication to sell or extend credit originating outside the state of  
7133 Connecticut but forwarded to and received in Connecticut by a  
7134 resident retail buyer; or (B) an offer to buy or an application for  
7135 extension of credit, or an acceptance of an offer to buy or to extend  
7136 credit, is made in Connecticut by a resident retail buyer, regardless of  
7137 the situs of the contract which may be specified therein, including, but  
7138 not limited to, any verbal or written solicitation or communication to  
7139 buy or to have credit extended, originating within the state of  
7140 Connecticut but forwarded to and received by a retail seller or a lender  
7141 outside the state of Connecticut. For purposes of this subdivision, a  
7142 "resident retail buyer" means a retail buyer who is a resident of the  
7143 state of Connecticut.

7144 (10) "Motor vehicle" means any device in, upon or by which any  
7145 person or property is or may be transported or drawn upon a highway  
7146 by any power other than muscular. For purposes of this subdivision,  
7147 "motor vehicle" does not include self-propelled wheelchairs and  
7148 invalid tricycles, tractors, power shovels, road machinery, implements  
7149 of husbandry and other agricultural machinery, or other machinery  
7150 not designed primarily for highway transportation but which may  
7151 incidentally transport persons or property on a highway, or devices  
7152 which move upon or are guided by a track or travel through the air.

7153 (11) "Retail buyer" means a person who buys or agrees to buy one or  
7154 more articles of goods from a retail seller not for the purpose of resale  
7155 or lease to others in the course of business and who executes a retail  
7156 installment contract or an installment loan contract in connection  
7157 therewith.

7158 (12) "Retail installment contract" means any security agreement, as

7159 defined in [section 42a-9-105(1)(l)] subdivision (73) of subsection (a) of  
7160 section 42a-9-102, as amended by this act, made in this state, including  
7161 one in the form of a mortgage, conditional sale contract or other  
7162 instrument evidencing an agreement to pay the retail purchase price of  
7163 goods, or any part thereof, in installments over a period of time and  
7164 pursuant to which a security interest, as defined in [section 42a-1-  
7165 201(37)] subdivision (37) of section 42a-1-201, as amended by this act,  
7166 is retained or taken by the retail seller for the payment of the amount  
7167 of such retail installment contract. For purposes of this subdivision,  
7168 "retail installment contract" does not include a rent-to-own agreement,  
7169 as defined in section 42-240.

7170 (13) "Retail installment sale" means any sale evidenced by a retail  
7171 installment contract or installment loan contract wherein a retail buyer  
7172 buys goods from a retail seller at a time sale price payable in two or  
7173 more installments. The cash price of the goods, the amount, if any,  
7174 included for other itemized charges which are included in the amount  
7175 of the credit extended but which are not part of the finance charge  
7176 under sections 36a-675 to 36a-685, inclusive, and the finance charge  
7177 shall together constitute the time sale price. For purposes of this  
7178 subdivision, "retail installment sale" does not include a rent-to-own  
7179 agreement, as defined in section 42-240.

7180 (14) "Retail seller" means a person who sells or agrees to sell one or  
7181 more articles of goods under a retail installment contract to a retail  
7182 buyer.

7183 (15) "Sales finance company" means any person engaging in this  
7184 state in the business, in whole or in part, of acquiring retail installment  
7185 contracts from retail sellers or installment loan contracts from holders  
7186 thereof, by purchase, discount or pledge, or by loan or advance to the  
7187 holder of either on the security thereof, or otherwise.

7188 Sec. 171. Section 36a-779 of the general statutes is repealed and the  
7189 following is substituted in lieu thereof:

7190 Any sales finance company may purchase or acquire from the  
7191 original holder thereof or from any other sales finance company any  
7192 retail installment contract or any installment loan contract on such  
7193 terms and conditions as may be mutually agreed upon not inconsistent  
7194 with the provisions of sections 36a-770 to 36a-788, inclusive, 42-100b  
7195 and 42-100c. Such contracts constitute chattel paper, as defined in  
7196 [section 42a-9-105 (1) (b)] subdivision (11) of subsection (a) of section  
7197 42a-9-102, as amended by this act, and are governed by article 9 of title  
7198 42a, as amended by this act, except as otherwise provided in said  
7199 sections.

7200 Sec. 172. Section 42-160 of the general statutes is repealed and the  
7201 following is substituted in lieu thereof:

7202 The owner of a self-service storage facility shall have a lien upon all  
7203 personal property located at such facility for the amounts of any rent,  
7204 labor or other valid charges incurred in relation to such personal  
7205 property, for any valid expenses incurred in the necessary preservation  
7206 of such personal property and for any expenses reasonably incurred in  
7207 the sale or other disposition of such personal property pursuant to law.  
7208 Such lien attaches on the date of default by the occupant.  
7209 Notwithstanding the provisions of section [42a-9-310] 53 of this act,  
7210 such lien shall not have priority over a lien or security interest which  
7211 has attached or been perfected prior to such default.

7212 Sec. 173. Section 49-32a of the general statutes is repealed and the  
7213 following is substituted in lieu thereof:

7214 (a) (1) Notices of liens upon real property for taxes payable to the  
7215 United States and notices of liens upon real property for costs and  
7216 damages payable to the United States, and certificates and notices  
7217 affecting such liens shall be filed in the office of the clerk of the town in  
7218 which the real property subject to a federal tax lien or other federal lien  
7219 is situated. (2) Notices of liens upon personal property, whether  
7220 tangible or intangible, for taxes payable to the United States and for

7221 costs and damages payable to the United States and certificates and  
7222 notices affecting such liens shall be filed in the office of the Secretary of  
7223 the State in accordance with subsection [(1) of section 42a-9-403] (a) of  
7224 section 87 of this act.

7225 (b) Certification by the Secretary of the Treasury of the United States  
7226 or ~~[his]~~ said secretary's delegate of notices of liens, certificates or other  
7227 notices affecting tax liens or other federal liens entitles them to be filed  
7228 and no other attestation, certification or acknowledgment is necessary.

7229 (c) (1) If a notice of federal tax lien or other federal lien, a refiling of  
7230 a notice of tax lien or other federal lien or a notice of revocation of any  
7231 certificate described in subdivision (2) is presented to the filing officer  
7232 and (A) ~~[he]~~ the filing officer is the Secretary of the State, ~~[he]~~ said  
7233 secretary shall cause the notice to be marked, held and indexed in  
7234 accordance with the provisions of ~~[subsection (4) of section 42a-9-403]~~  
7235 section 90 of this act, as if the notice were a financing statement within  
7236 the meaning of that section; or (B) ~~[he]~~ the filing officer is a town clerk,  
7237 ~~[he]~~ such town clerk shall endorse thereon ~~[his]~~ such town clerk's  
7238 identification and the date and time of receipt and forthwith record it  
7239 in accordance with section ~~[42a-9-409]~~ 90 of this act. (2) If a certificate  
7240 of release, nonattachment, discharge or subordination of any tax lien or  
7241 other federal lien is presented to the Secretary of the State for filing,  
7242 ~~[he]~~ said secretary shall (A) cause a certificate of release or  
7243 nonattachment to be marked, held and indexed as if the certificate  
7244 were a termination statement within the meaning of the Uniform  
7245 Commercial Code, and (B) cause a certificate of discharge or  
7246 subordination to be held, marked and indexed as if the certificate were  
7247 a release of collateral within the meaning of the Uniform Commercial  
7248 Code. (3) If a refiled notice of federal tax lien or other federal lien  
7249 referred to in subdivision (1) or any of the certificates or notices  
7250 referred to in subsection (b) is presented for filing with any other filing  
7251 officer specified in subsection (a), ~~[he]~~ such filing officer shall record it  
7252 in accordance with ~~[subsection (2) of section 42a-9-409]~~ section 90 of

7253 this act if the original was recorded or, if the original was filed,  
7254 permanently attach the refiled notice or the certificate to the original  
7255 notice of lien and enter the refiled notice or the certificate with the date  
7256 of filing in any alphabetical federal tax lien index or other federal lien  
7257 index on the line where the original notice of lien is entered. (4) Upon  
7258 request of any person, the filing officer shall issue ~~[his]~~ a certificate  
7259 showing whether there is on file, on the date and hour stated therein,  
7260 any notice of federal tax lien or other federal lien or certificate or notice  
7261 affecting the lien, filed on or after July 1, 1967, naming a particular  
7262 person, and if a notice or certificate is on file, giving the date and hour  
7263 of filing of each notice or certificate. The fee for such a certificate and  
7264 for a copy of any notice of federal tax lien or other federal lien or notice  
7265 or certificate affecting a federal tax lien or other federal lien shall be  
7266 computed in accordance with ~~[subsection (2) of section 42a-9-407]~~  
7267 section 96 of this act.

7268 (d) Except as provided by subsection ~~[(5) of section 42a-9-403]~~ (a) of  
7269 section 96 of this act, the fee for filing and indexing each notice of lien  
7270 or certificate or notice affecting the tax lien or other federal lien is: (1)  
7271 For a tax lien or other federal lien on real estate, as provided in section  
7272 7-34a; (2) for a tax lien on tangible and intangible personal property,  
7273 three dollars; (3) for all other notices, including a certificate of release,  
7274 discharge, subordination or nonattachment, one dollar.

7275 Sec. 174. Subsection (a) of section 52-355a of the general statutes is  
7276 repealed and the following is substituted in lieu thereof:

7277 (a) Except in the case of a consumer judgment, a judgment lien,  
7278 securing the unpaid amount of any money judgment, including  
7279 interest and costs, may be placed on any nonexempt personal property  
7280 in which, by a filing in the office of the Secretary of the State, a security  
7281 interest could be perfected under title 42a, as amended by this act. The  
7282 judgment lien shall be created by filing a judgment lien certificate in  
7283 the office of the Secretary of the State. For purposes of this section, the



7284 judgment lien shall be filed as if the debtor were located in this state.  
7285 However, in the case of a debtor who is not located in this state, the  
7286 judgment lien shall be effective only as to the debtor's tangible  
7287 personal property that is located in this state.

7288       Sec. 175. Subsection (c) of section 52-380d of the general statutes is  
7289 repealed and the following is substituted in lieu thereof:

7290       (c) A release of a judgment lien filed on personal property pursuant  
7291 to section 52-355a, as amended by this act, is sufficient if it contains a  
7292 description of the property released, the name and address of the  
7293 judgment creditor and judgment debtor, and the file number of the  
7294 judgment lien certificate in the office of the Secretary of the State. On  
7295 presentation of such a statement of release to the filing officer in the  
7296 office of the Secretary of the State, the filing officer shall mark the  
7297 statement with the hour and date of filing and shall note the same on  
7298 the index. The release shall be on a form prescribed by the Secretary of  
7299 the State. On filing, the Secretary of the State may charge the fee  
7300 prescribed by section [42a-9-403] 96 of this act for filing and indexing a  
7301 termination statement.

7302       Sec. 176. Subsection (a) of section 52-572g of the general statutes is  
7303 repealed and the following is substituted in lieu thereof:

7304       (a) Any holder in due course of a promissory note, contract or other  
7305 instrument, other than an instrument issued in connection with a  
7306 credit card transaction, evidencing an indebtedness, signed or  
7307 executed by a buyer in connection with a credit transaction covering  
7308 consumer goods, as defined in section [42a-9-109] 42a-9-102, as  
7309 amended by this act, or for consumer services rendered, shall be  
7310 subject to all of the claims and defenses which the buyer has against  
7311 the seller arising out of the transaction or against the person or persons  
7312 providing the services, limited to the amount of indebtedness then  
7313 outstanding in connection with the credit transaction, provided the  
7314 buyer shall have made a prior written demand on the seller with

7315 respect to the transaction.

7316 Sec. 177. Subsection (a) of section 53-129a of the general statutes is  
7317 repealed and the following is substituted in lieu thereof:

7318 [(a) As used in this section, the words "debtor", "security  
7319 agreement", "security interest", "collateral", "secured party" and  
7320 "proceeds" shall have the meanings provided in sections 42a-9-  
7321 105(1)(d), 42a-9-105(1)(l), 42a-1-201(37), 42a-9-105(1)(c), 42a-9-105(1)(m)  
7322 and 42a-9-306(1), respectively.]

7323 (a) As used in this section:

7324 (1) "Collateral" has the same meaning as specified in subdivision  
7325 (12) of subsection (a) of section 42a-9-102, as amended by this act;

7326 (2) "Debtor" has the same meaning as specified in subdivision (28) of  
7327 subsection (a) of section 42a-9-102, as amended by this act;

7328 (3) "Proceeds" has the same meaning as specified in subdivision (64)  
7329 of subsection (a) of section 42a-9-102, as amended by this act;

7330 (4) "Security agreement" has the same meaning as specified in  
7331 subdivision (73) of subsection (a) of section 42a-9-102, as amended by  
7332 this act;

7333 (5) "Security interest" has the same meaning as specified in  
7334 subdivision (37) of section 42a-1-201, as amended by this act; and

7335 (6) "Secured party" has the same meaning as specified in  
7336 subdivision (72) of subsection (a) of section 42a-9-102, as amended by  
7337 this act.

7338 Sec. 178. Subdivision (6) of section 42a-10-102 of the general statutes  
7339 is repealed and the following is substituted in lieu thereof:

7340 (6) A financing statement which contains the information required

7341 in section 42a-9-402 of the general statutes, revised to January 1, 2001,  
7342 may be filed on or after October 1, 1961, in the place specified for filing  
7343 in section 42a-9-401, of the general statutes, revised to January 1, 2001,  
7344 with respect to transactions taking place before October 1, 1961. If a  
7345 security interest arising from any such transaction was perfected under  
7346 the law applicable thereto, filing under this title continues the  
7347 perfected status of the interest. If any such interest was not perfected  
7348 under applicable law, filing under this title perfects the interest from  
7349 the time of filing. With respect to a chattel mortgage filed before  
7350 October 1, 1961, as provided in section 49-96, or a contract of  
7351 conditional sale filed before October 1, 1961, as provided in section 42-  
7352 77, the financing statement need be signed only by the chattel  
7353 mortgagee or conditional sale vendor as secured party and need not be  
7354 signed by the chattel mortgagor or conditional vendee.

7355       Sec. 179. Section 42a-10-105 of the general statutes is repealed and  
7356 the following is substituted in lieu thereof:

7357       (1) Transactions validly entered into after October 1, 1961, and  
7358 before October 1, 1976, and which were subject to the provisions of  
7359 title 42a of the general statutes, revised to 1975, and which would be  
7360 subject to subsection (2) of section 42a-1-105, subsections (9) and (37) of  
7361 section 42a-1-201 of the general statutes, revised to January 1, 2001,  
7362 subsections (1) and (2) of section 42a-2-107, subsection (2) of section  
7363 42a-5-116, subsection (1) of section 42a-9-102 of the general statutes,  
7364 revised to January 1, 2001, sections 42a-9-103a to 42a-9-106, inclusive,  
7365 of the general statutes, revised to January 1, 2001, 42a-9-114 of the  
7366 general statutes, revised to January 1, 2001, 42a-9-203 to 42a-9-205,  
7367 inclusive, of the general statutes, revised to January 1, 2001, 42a-9-301  
7368 of the general statutes, revised to January 1, 2001, 42a-9-302 of the  
7369 general statutes, revised to January 1, 2001, subsections (1) and (5) of  
7370 section 42a-9-304 of the general statutes, revised to January 1, 2001,  
7371 sections 42a-9-305 to 42a-9-308, inclusive, of the general statutes,  
7372 revised to January 1, 2001, 42a-9-312 of the general statutes, revised to

7373 January 1, 2001, 42a-9-313 of the general statutes, revised to January 1,  
7374 2001, 42a-9-318 of the general statutes, revised to January 1, 2001, 42a-  
7375 9-401 to 42a-9-407, inclusive, of the general statutes, revised to January  
7376 1, 2001, 42a-9-408a of the general statutes, revised to January 1, 2001,  
7377 subsection (3) of section 42a-9-501 of the general statutes, revised to  
7378 January 1, 2001, subsection (2) of section 42a-9-502 of the general  
7379 statutes, revised to January 1, 2001, section 42a-9-504 of the general  
7380 statutes, revised to January 1, 2001, subsection (2) of section 42a-9-505  
7381 of the general statutes, revised to January 1, 2001, and sections 42a-10-  
7382 105 to 42a-10-109, inclusive if they had been entered into after October  
7383 1, 1976, and the rights, duties and interests flowing from such  
7384 transactions remain valid after the latter date and may be terminated,  
7385 completed, consummated or enforced as required or permitted by this  
7386 title, as amended. Security interests arising out of such transactions  
7387 which are perfected on October 1, 1976, shall remain perfected until  
7388 they lapse as provided in this title, as amended, and may be continued  
7389 as permitted by this title, as amended, except as stated in section 42-10-  
7390 106.

7391 (2) A security interest for the perfection of which filing or the taking  
7392 of possession was required under title 42a of the general statutes,  
7393 revised to 1975, prior to October 1, 1976, and which attached prior to  
7394 October 1, 1976, but was not perfected shall be deemed perfected on  
7395 October 1, 1976, if this title, as amended, permits perfection without  
7396 filing or authorizes filing in the office or offices where a prior  
7397 ineffective filing was made.

7398 Sec. 180. Section 42a-10-106 of the general statutes is repealed and  
7399 the following is substituted in lieu thereof:

7400 (1) A financing statement or continuation statement filed prior to  
7401 October 1, 1976, which shall not have lapsed prior to said date shall  
7402 remain effective for the period provided in title 42a prior to said date,  
7403 but not less than five years after the filing.

7404 (2) With respect to any collateral acquired by the debtor subsequent  
7405 to October 1, 1976, any effective financing statement or continuation  
7406 statement described in this section shall apply only if the filing or  
7407 filings are in the office or offices that would be appropriate to perfect  
7408 the security interests in the new collateral under this title, as amended.

7409 (3) The effectiveness of any financing statement or continuation  
7410 statement filed prior to October 1, 1976, that remains effective on the  
7411 effective date of this act, may be continued by a continuation statement  
7412 [as permitted by subsection (2) of section 42a-1-105, subsections (9) and  
7413 (37) of section 42a-1-201, subsections (1) and (2) of section 42a-2-107,  
7414 subsection (2) of section 42a-5-116, subsection (1) of section 42a-9-102,  
7415 sections 42a-9-103a to 42a-9-106, inclusive, 42a-9-114, 42a-9-203 to 42a-  
7416 9-205, inclusive, 42a-9-301, 42a-9-302, subsections (1) and (5) of section  
7417 42a-9-304, sections 42a-9-305 to 42a-9-308, inclusive, 42a-9-312, 42a-9-  
7418 313, 42a-9-318, 42a-9-401 to 42a-9-407, inclusive, 42a-9-408a, subsection  
7419 (3) of section 42a-9-501, subsection (2) of section 42a-9-502, section 42a-  
7420 9-504, subsection (2) of section 42a-9-505 and sections 42a-10-105 to  
7421 42a-10-109, inclusive, except that if said sections and subsections  
7422 require a filing in an office where there was no previous financing  
7423 statement, a new financing statement conforming to section 42a-10-107  
7424 shall be filed in that office] in the same manner that a financing  
7425 statement or continuation statement filed under article 9 of title 42a of  
7426 the general statutes, revised to January 1, 2001, may be continued  
7427 under article 9 of title 42a in effect on and after the effective date of this  
7428 act.

7429 (4) If the record of a mortgage of real estate would have been  
7430 effective as a fixture filing of goods described therein if subsection (2)  
7431 of section 42a-1-105, subsections (9) and (37) of section 42a-1-201 of the  
7432 general statutes, revised to January 1, 2001, subsections (1) and (2) of  
7433 section 42a-2-107, subsection (2) of section 42a-5-116, subsection (1) of  
7434 section 42a-9-102 of the general statutes, revised to January 1, 2001,  
7435 sections 42a-9-103a to 42a-9-106, inclusive, of the general statutes,

7436 revised to January 1, 2001, 42a-9-114 of the general statutes, revised to  
7437 January 1, 2001, 42a-9-203 to 42a-9-205, inclusive, of the general  
7438 statutes, revised to January 1, 2001, 42a-9-301 of the general statutes,  
7439 revised to January 1, 2001, 42a-9-302 of the general statutes, revised to  
7440 January 1, 2001, subsections (1) and (5) of section 42a-9-304 of the  
7441 general statutes, revised to January 1, 2001, sections 42a-9-305 to 42a-9-  
7442 308, inclusive, of the general statutes, revised to January 1, 2001, 42a-9-  
7443 312 of the general statutes, revised to January 1, 2001, 42a-9-313 of the  
7444 general statutes, revised to January 1, 2001, 42a-9-318 of the general  
7445 statutes, revised to January 1, 2001, 42a-9-401 to 42a-9-407, inclusive, of  
7446 the general statutes, revised to January 1, 2001, 42a-9-408a of the  
7447 general statutes, revised to January 1, 2001, subsection (3) of section  
7448 42a-9-501 of the general statutes, revised to January 1, 2001, subsection  
7449 (2) of section 42a-9-502 of the general statutes, revised to January 1,  
7450 2001, section 42a-9-504 of the general statutes, revised to January 1,  
7451 2001, subsection (2) of section 42a-9-505 of the general statutes, revised  
7452 to January 1, 2001, and sections 42a-10-105 to 42a-10-109, inclusive, of  
7453 the general statutes, revised to January 1, 2001, had been in effect on  
7454 the date of recording the mortgage, the mortgage shall be deemed  
7455 effective as a fixture filing as to such goods under subsection (6) of  
7456 section 42a-9-402 on October 1, 1976.

7457       Sec. 181. (NEW) Public act 96-198 applies to a letter of credit that is  
7458 issued on or after October 1, 1996. Public act 96-198 does not apply to a  
7459 transaction, event, obligation or duty arising out of or associated with  
7460 a letter of credit that was issued before October 1, 1996.

7461       Sec. 182. (NEW) Any agreement for security in household furniture  
7462 owned and in the possession of an individual and used primarily for  
7463 housekeeping purposes shall be effective only to the extent that the  
7464 agreement involves a purchase-money security interest as provided in  
7465 section 42a-9-103a of the general statutes, as amended by this act.

7466       Sec. 183. Sections 42a-9-112 to 42a-9-116, inclusive, 42a-9-408a and

7467 42a-10-107 of the general statutes are repealed.

7468 Sec. 184. This act shall take effect February 1, 2002.

**JUD**      *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

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**OFA Fiscal Note**

**State Impact:** Absorbable Cost (Commercial Recording Administrative Account)

**Affected Agencies:** Office of the Secretary of the State

**Municipal Impact:** None

**Explanation****State Impact:**

Passage of the bill requires the Office of the Secretary of the State to make a variety of changes, resulting in an estimated cost of \$1.6 million that will be funded from the budgetary resources of the Commercial Recording Administrative Account (a restricted non-lapsing account within the General Fund) thus no additional funds are needed. These costs result primarily from modifications to the commercial recording division's computer system, known as CONCORD, which include recoding, enhancing the search logic, creating a new indexing system and increasing the capacity of the system. Additionally, staff will need training to operate the enhanced CONCORD system and handle the filings. Costs will result from printing the modified forms.



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**OLR BILL ANALYSIS**

sSB 1226

***AN ACT ADOPTING REVISED ARTICLE 9 OF THE UNIFORM  
COMMERCIAL CODE CONCERNING SECURED TRANSACTIONS.*****SUMMARY:**

This bill deals with security interests created by contracts in personal property or fixtures that secure payment or other performance that the debtor is obligated to make. Property subject to the security interest is collateral. An example is when someone buys furniture and the seller keeps an interest in the furniture as collateral until the buyer pays the entire purchase price.

The bill retains the basic structure of current law but expands its scope, adds certain types of personal property collateral excluded from current law, modifies some definitions, and adds new definitions.

Current law sets out the requirements for a security interest to attach to the collateral (the moment when the security interest becomes enforceable). It also sets out the requirements for perfecting a security interest and priority among security interests when more than one party has an interest in a piece of collateral. Perfecting a security interest allows the secured party's interest to prevail over a creditor who gets a lien from a court or other nonconsensual liens on the collateral. It also gives a secured party priority over another person who later takes a security interest in the collateral. Depending on the circumstances and the specific collateral, perfection occurs by possessing or controlling the collateral or filing a financing statement.

The bill alters the location for filing some financing statements to perfect a security interest, adds some methods of perfection, and adds some rules on priorities and enforcing security interests. It also includes transition rules that allow security interests to remain enforceable for a one year after the bill becomes effective (longer in certain circumstances) if they do not meet the bill's requirements. Secured parties can act to continue the enforceability of these security

interests.

The bill also alters the definition of buyer in the ordinary course that applies generally throughout the commercial code unless another specific definition applies.

EFFECTIVE DATE: February 1, 2002

## **PARTIES**

The bill alters the definition of debtor. Under current law, a debtor either owes payment or performance of the obligation secured by the collateral or he owns the collateral. Under the bill, a debtor is a person with a property interest (but not a security interest or lien) in the collateral. As under current law, the definition includes a seller of accounts or chattel paper, and the bill adds a seller of payment intangibles and promissory notes, a person with a property interest in collateral subject to an agricultural lien, and a consignee.

The bill defines an “obligor” as the person who owes the secured obligation.

As under current law, a secured party is a person in whose favor a security interest is granted. This includes a buyer of accounts or chattel paper, and the bill adds a buyer of payment intangibles and promissory notes, a person holding an agricultural lien, and a consignor. The bill specifies that when a secured party acts as a representative for holders of secured obligations, the representative may include any trustee, agent, or collateral agent rather than just trustees or others under current law.

## **TRANSACTIONS**

As under current law, the bill applies to transactions creating security interests regardless of the form of the transaction. The bill adds consignments to the list of transactions subject to the law, but not small or consumer consignments. The bill expands the scope of current law by adding some types of personal property collateral that are excluded from current law. The bill adds:

1. agricultural liens (nonconsensual liens on farm products);
2. security interests granted by another state or foreign government if no state or foreign statute governs them;
3. sales of payment intangibles and promissory notes;
4. commercial tort claims (but the bill retains the exclusion of noncommercial tort claims such as personal injury claims); and
5. assignments of rights under written and electronic letters of credit.

The bill modifies the definition of certain types of personal property collateral covered by current law. Like current law, the bill generally excludes assignments of insurance claims but it includes assignments of insurance claims (as original collateral) relating to provision of health care goods and services. It retains the exclusion of assignments of deposit accounts in consumer transactions but includes assignments of commercial deposit accounts.

As under current law, the bill allows other federal, state, or common law to give a secured party a security interest in types of property excluded from the bill's coverage.

## **TYPES OF COLLATERAL**

The bill generally retains the collateral classifications of current law but it modifies some and adds additional ones.

### ***Goods***

As under current law, goods are things that are movable including fixtures (goods so related to real estate that an interest in them arises under real estate law) but not including money, documents, instruments, investment property, accounts, chattel paper and general intangibles, and minerals before extraction. The bill also excludes deposit accounts and letter of credit rights. It includes software embedded in goods.

As under current law, there are four subcategories of goods: consumer

goods, inventory, farm products, and equipment. The bill alters the definition of farm products. It eliminates the requirement that the debtor be a farmer and possess the goods and instead only requires that the products be farm products and the debtor engage in farming with respect to the goods. It also includes aquatic farming operations and aquatic goods within the definition. As under current law, equipment is defined as goods that do not fit the other categories.

### ***Other Semi-Intangibles***

Semi-tangibles include instruments, documents like warehouse receipts, and investment property. An instrument is a negotiable instrument or a writing showing a right to payment of money that is transferred by delivery with necessary endorsements or assignments in the ordinary course of business (not including leases or investment property). The bill specifies that this definition does not include a credit card slip. Under the bill, a promissory note is an instrument defined as a promise to pay (but not instruments with an order to pay or acknowledgement of receipt of funds by a bank).

Chattel paper is a writing with a monetary obligation and security interest in specific goods or a lease of them (such as when a customer buys goods and signs a note that gives the dealer an interest in the goods securing payment of the purchase price). The bill allows use of electronic records and divides the category of chattel paper into electronic chattel paper and tangible chattel paper.

The bill removes the requirement that a letter of credit be written, which would allow electronic letters of credit.

### ***Other Intangibles***

Current law provides that intangibles that are not investment property are categorized as accounts or general intangibles. The bill adds categories for deposit accounts and commercial tort claims.

***Accounts.*** The bill broadens the definition of accounts to include certain rights to payment that current law categorizes as general intangibles. Under current law, an account is any right to payment for goods sold or leased or services rendered that is not evidenced by an

instrument or chattel paper (regardless of whether it is earned by performance). The bill expands the definition to include a right to payment for real property sold, intellectual property licensed, a suretyship obligation, an insurance policy, and use of a credit card. It also adds health-care insurance receivables (an interest in or claim under an insurance policy that is a right to payment for health care goods or services provided).

***Deposit Account.*** Under the bill, a deposit account is a demand, time savings, passbook, or similar bank account. It does not include investment property, an account evidenced by an instrument, payroll accounts, tax accounts, or trust accounts.

***Commercial Tort Claim.*** The bill adds commercial tort claims, defined as an organization's tort claim or an individual's tort claim arising from his business if it does not include damages for death or personal injury. If the claim is contractually settled (such as a structured settlement) it is excluded.

***General Intangibles.*** As under current law, general intangibles are any types of property not defined. Because the bill adds new definitions of property, it limits the scope of this category. Under the bill, it includes two subcategories.

1. A payment intangible is a general intangible where the obligor's principal obligation is to pay money.
2. Software is a computer program and related supporting information, but not software embedded in goods.

## **ATTACHMENT**

A security interest becomes enforceable against the debtor when it attaches. Under current law, a security interest attaches if (1) the secured party gives value, (2) the debtor has rights in the collateral, and (3) the secured party possesses the collateral, controls the collateral if it is investment property, or the debtor signs a security agreement with a description of the collateral. A debtor can only grant a security interest in collateral to the extent he has rights in it and a secured party cannot enjoy rights in collateral greater than those the debtor holds.

The bill adds that the power of the debtor to transfer the collateral is sufficient to satisfy this requirement.

The bill modifies the requirements on possession and control of collateral and security agreements.

### ***Possession***

The bill allows possession through a third party who possesses the collateral if the third party possesses it by agreement of the debtor and the third party acknowledges in a signed or authenticated writing or other record that he holds it for the secured party. But a certificated security (e.g., a stock certificate) in registered form must be delivered to the secured party.

### ***Control***

Under current law, a secured party can perfect its security interest in investment property by control. The bill expands use of this method to include deposit accounts, electronic chattel paper, and letter of credit rights.

### ***Security Agreement***

A security agreement is an agreement granting a security interest. Under the bill, the debtor must authenticate it. Authentication is signing, using a symbol, or using encryption or a similar process on a record when a person has the intent to identify himself and adopt or accept a record. As under current law, the security agreement must reasonably identify the collateral. The bill specifies that the agreement can identify collateral by specific listing, category, type, quantity, or formula. But stating “all the debtor’s assets” is insufficient in a security agreement (although it is sufficient in a financing statement). A description by type alone is insufficient for commercial tort claims, security entitlements, securities accounts, commodity accounts, or consumer transactions. As in current law, an agreement must include a description of the land if the collateral is timber to be cut.

As under current law, security agreements can contain a clause that it applies to property acquired after the agreement is effective. But a

secured party generally cannot receive a security interest in after-acquired consumer goods as original collateral unless the debtor acquires rights in them within 10 days of the secured party giving value. Under the bill, a secured interest in a commercial tort claim attaches only to a tort claim existing at the time the security agreement is signed or authenticated. The security interest will not attach to an after-acquired commercial tort claim.

## **PERFECTION**

A perfected security interest is an attached security interest that will generally prevail over a creditor who is using judicial process to obtain a lien on the collateral. As under current law, a security interest is subordinate to the rights of a lien creditor to the extent the security interest secures an advance made more than 45 days after the person became a lien creditor unless the advance is made without knowledge of the lien or under a commitment entered into without knowledge of the lien.

Depending on the type of collateral, a security interest is perfected under current law (1) when a secured party files a financing statement in the appropriate office, (2) when a secured party takes possession or control of the collateral, or (3) automatically on attachment.

### ***Perfection by Filing***

The bill allows a secured party to perfect its security interest in instruments by filing in addition to possession. It also requires filing rather than automatic perfection for a beneficiary's interest in a common law trust and it requires filing for investment property.

The bill allows the filing of an initial financing statement or an amendment adding collateral or a debtor if the debtor authorizes it in an authenticated record. A security agreement provides authorization for filing an initial financing statement for the collateral it covers and proceeds from it. A person can also file a financing statement if he has an effective agricultural lien covering the collateral.

Under the bill, to be effective a financing statement must include the debtor's name, name of secured party or its representative, and

collateral covered by the statement. The bill eliminates the requirement that the debtor's address and the secured party's address be included. The bill eliminates the ability of a security agreement copy to be a financing statement if it meets the other requirements. The bill adds that, unlike in a security agreement, an "all assets" description of the collateral is sufficient in a financing statement. As under current law, the bill requires additional information, such as a description of the real estate involved, in the financing statement when the collateral is timber to be cut, as-extracted collateral, or fixtures. It no longer requires a description of the real estate for financing statements covering crops.

As under current law, the statement can be effective if it contains minor errors as long as they are not seriously misleading. The bill provides that the debtor's name is essential but it is sufficient if the name would locate the financing statements using the filing offices' standard search.

As under current law, the bill requires filing at the secretary of the state's office. Filing in the local real estate recording office is also required for as-extracted collateral, timber to be cut, and fixtures.

The bill allows filing by any means prescribed by regulation. Under the bill, the office can refuse to accept a filing if (1) the means of communicating it are not authorized; (2) it does not include the entire filing fee; (3) it fails to include the debtor's address, whether the debtor is a person or an organization, or a debtor organization's type and jurisdiction; (4) the office is unable to index it for certain reasons; (5) there is no name or address when adding a secured party of record; (6) there is no name or address of an assignee when indicating an assignment; or (7) it is not filed in the appropriate time frame (for a continuation statement). If the office accepts the filing anyway, the statement is valid as long as it meets the minimum filing requirements. If the office rejects the filing, it must, as provided by regulation, tell the person the reason for it and the time it would have been filed. The secretary's office must notify him within five days. If the office rejects the filing for a reason other than the specified ones, the filing is effective except against someone who buys the collateral for value reasonably relying on the absence of a record in the files.



The bill requires the office to place amendments, assignments, and continuation statements relating to an initial filing on the records in a way that links them to the initial filing. Misfiling a record does not alter its effectiveness.

Under the bill, a debtor who believes a filing record concerning him is inaccurate or wrongfully filed can file a correction statement describing the disputed information. The statement must state the reasonable basis for his belief that the record is inaccurate or wrongfully filed and how to cure any inaccuracy. This statement becomes part of the filing record but not does impair the effectiveness of the initial financing statement or other filed record. The bill allows other civil and criminal laws to address claims of misuse.

The bill provides rules for filing and retrieving records at the secretary's office.

***Expiration of Financing Statements.*** As under current law, the validity of a filing generally ends after five years. The bill gives an initial financing statement connected with a manufactured home transaction a 30-year duration. A secured party must file a continuation statement within six months prior to a statement expiring. Under current law, a security interest becomes unperfected when a statement lapses and is deemed to have never been perfected against a purchaser or lien creditor before the lapse. Under the bill, it is deemed to have never been perfected against a purchaser for value and it eliminates the provision for lien creditors.

It also prohibits the filing office from deleting its records on a filing statement until at least one year after the statement lapses.

### ***Perfection by Possession***

As under current law, a secured party must perfect a security interest in money by possession. The bill allows perfection of instruments by filing as well as possession.

Under current law, a secured party must perfect a security interest in rights to proceeds of a written letter of credit by possession of the letter of credit. Under the bill, possession is no longer effective. A security

interest in a letter of credit right that is a supporting obligation is automatically perfected if the security interest in the related collateral is perfected. Otherwise, the security interest must be perfected by control. A secured party has control by receiving an assignment if it has the consent of the issuer or nominated person.

As under current law, a security interest in chattel paper can be perfected by filing or possession but the bill limits the option of perfection by possession to tangible chattel paper. The bill defines “electronic chattel paper” as chattel paper evidenced by a record of information stored in an electronic medium and it allows perfection of a security interest in it by control as well as filing.

Current law allows a secured party to perfect a security interest in collateral that is in the possession of a third party “bailee” by notice to the third party. The bill requires a third party possessing collateral (other than goods covered by a document of title) to authenticate a record acknowledging that he holds the collateral for the secured party.

### ***Perfection by Control***

As under current law, a secured party can perfect a security interest in investment property by control. The bill also allows a secured party to perfect a security interest in deposit accounts, electronic chattel paper, and letter of credit rights by control.

***Deposit Accounts.*** The bill allows perfection of a security interest in deposit accounts only by control. A secured party has control if it is the depository bank, the deposit account is in its name, or the depository bank enters an agreement with the secured party to comply with the secured party’s instructions about funds without further consent from the debtor. The depository bank is automatically in control of deposit accounts in the bank.

***Electronic Chattel Paper.*** The bill allows perfection of a security interest in electronic chattel paper by control or filing. A secured party has control if there is only one authoritative or identifiable copy of the electronic record of the chattel paper, the copy identifies the secured party and its interest, the copy is communicated to and maintained by

the secured party or its custodian, the copy is readily identifiable as the authoritative copy, and there are controls in place for revising the copy.

**Letter of Credit Rights.** Under the bill, a secured party must perfect a security interest in a letter of credit by control when the right is not a supporting obligation for other collateral in which the secured party has a perfected security interest. A secured party has control if the issuer or nominated person consents to assignment of proceeds of the letter of credit.

### ***Automatic Perfection***

For certain types of personal property, perfection occurs automatically when attachment occurs. Under current law, automatic perfection occurs with:

1. purchase money security interests (PMSI) (see below) in consumer goods,
2. assignment of accounts that do not alone or in conjunction with other assignments to the same person transfer a significant part of the outstanding accounts of the assignor,
3. certain security interests of collecting banks and certain security interests under the law on the sale of goods,
4. security interests in investment property created by a securities intermediary or commodity intermediary,
5. security interests in instruments,
6. certificated securities and negotiable documents (temporarily perfected), and
7. security interests in proceeds (temporarily perfected).

The bill adds several other forms of property:

1. sales of payment intangibles and promissory notes,
2. a security assignment of payment intangibles that do not alone or in conjunction with other assignments to the same person transfer a significant portion of accounts or payment intangibles to the assignor,
3. assignment of health-care insurance receivables to the health-care provider, and
4. a security interest in documents presented under a letter of credit.

**Temporary Automatic Perfection.** Security interests in certificated securities, negotiable instruments, and proceeds only enjoy automatic perfection temporarily. The bill reduces the temporary automatic perfection period for certificated securities and negotiable documents from 21 to 20 days and expands the period from 10 to 20 days for proceeds (if the security interest in the original collateral was perfected).

**Supporting Obligations.** A supporting obligation is a letter of credit right or secondary obligation (such as a guaranty) that supports the payment or performance of an account, chattel paper, document, general intangible, instrument, or investment property. The bill allows automatic attachment and perfection of a security interest in the supporting obligation when the security interest in the related collateral is perfected.

### ***Other Means of Perfection***

As under current law, the bill provides that other statutes, regulations, or treaties that provide means of perfection and compliance are the equivalent of perfection under the bill.

### **PRIORITY**

Priority rules rank the interests of secured parties and other claimants in a particular piece of collateral. As under current law, a lien creditor is a creditor with a lien on the debtor's property obtained by judicial process (including a bankruptcy trustee). A perfected secured party

prevails over a lien creditor if the security interest was perfected at or before the time the lien arises. The bill adds the requirement that the lien must arise before the secured party files a financing statement covering the collateral in order for the lien to prevail over an unperfected secured party.

As under current law, the first secured party to file a financing statement or perfect its interest has priority (the “first-to-file-or-perfect” rule). If all of the security interests are unperfected, the first to attach has priority. The bill specifies that a perfected security interest prevails over an unperfected security interest in the collateral.

### ***Purchase Money Secured Interests (PMSI)***

PMSI is a security interest in collateral that is either taken by the supplier of that collateral to finance the purchase price or is a security interest given to a third party lender in the collateral purchased with the lender’s loan. As under current law, a secured party can have PMSI in goods. The bill also permits it in software that is sold or licensed with goods if it is principally for use with the goods. Holders of a perfected PMSI rank ahead of any security interest that would otherwise have priority under the first-to-file-or-perfect rule.

If the security interest involves inventory collateral, the bill permits cross-collateralization of purchase-money inventory advances. This allows a supplier or lender who sends successive shipments of inventory collateral to a party to have a PMSI in all of the goods for their total cost.

The bill provides rules for PMSI in farm-products livestock like those for inventory but the PMSI has priority in all proceeds of the collateral and certain products of the collateral.

Under the bill, if a supplier and lender are both secured parties claiming a PMSI in the same collateral, the supplier prevails. A PMSI in a commercial transaction does not lose its status because it secures non-PMSI obligations, is secured by non-purchase-money collateral, or is renewed or financed.

For transactions other than consumer goods transaction in which

payment is made to an obligation that is in part PMSI, the bill applies the payment by any reasonable method agreed to by the parties. But if there is no agreement, the payment is applied as the obligor intended if he made his intention clear at or before making payment. If there is no agreement or clear intention of the obligor, then the payment is first applied to obligations that are not secured and then to the PMSI obligations in the order in which they were incurred.

In a consumer goods transaction, the payment is first applied to any PMSI in property. If there are multiple items purchased on different dates, the first item purchased is the first paid for and the lowest priced item purchased on a specific day is the first item paid for.

The bill's rules on the status of PMSI and burdens of proof for non-consumer goods transactions do not apply to consumer goods transactions and the bill prohibits a court from inferring any limitations on the proper rules for consumer goods transactions. It specifies that the courts can continue to apply established approaches and can apply the principles of law used for similar consumer transactions in similar goods, such as the retail installment sales financing laws.

### ***Consignors***

The bill applies to all consignments except consumer and small value consignments. They are treated like PMSI and consignors must comply with those rules to obtain priority. The bill allows other law to determine the rights of consignors against consignees and third parties.

### ***Buyers***

As under current law, customers who buy a debtor's goods in the ordinary course of business are free of a security interest in them created by the seller even if they know of it. The bill provides that a buyer of collateral from a secured party who possesses the collateral cannot take free of the secured party's interest as a buyer in the ordinary course. It also provides similar rules for lessees and nonexclusive licensees in the ordinary course.

As under current law, a buyer of consumer goods takes free of a security interest even if perfected under certain circumstances. Under current law, the buyer must not know of the security interest, pay value for the goods, buy the goods for consumer use, and buy them before a financing statement that covers the goods is filed. The bill deletes this last requirement.

Under current law, a buyer in the ordinary course is someone who buys goods in the ordinary course from someone in the business of selling those goods in good faith without knowledge that the sale violates the rights of another person in the goods. The bill requires the sale to occur with the seller's usual or customary practices or those of the kind of business that the seller engages in. It also adds that only a buyer that takes or has the right to take possession can be a buyer in the ordinary course. This definition applies generally throughout the commercial code unless another specific definition applies.

As under current law, when a debtor sells collateral out of the ordinary course of business and a secured party holding a perfected security interest does not authorize it, the security interest generally continues. If the security interest is unperfected and the buyer gives value without knowledge of the security interest, the buyer's interest generally prevails over the secured party's unperfected security interest. The bill clarifies that the buyer takes free of the secured party's security interest.

### ***Instruments***

As under current law, the bill allows a secured party to perfect a security interest in an instrument by filing as well as possession. Under the bill, a security interest in an instrument perfected by filing is subordinate to the security interest of another secured party or purchaser who possesses the instrument for value, in good faith, and without knowledge that it violated the rights of the secured party by filing. As under current law, a holder in due course of a negotiable instrument has priority over an earlier secured party to the extent provided by law.

### ***Chattel Paper***

As under current law, an ordinary course purchaser for new value of chattel paper who takes possession (or control as allowed by the bill for electronic intangible paper) has priority over a security interest perfected only by filing if he did not know it was subject to the secured party's security interest. The bill adds that the purchaser must not know that the purchase violated the secured party's rights. Under the bill, if the security interest is indicated on the chattel paper, the purchaser knows the purchase will violate the secured party's rights.

An ordinary course new value purchaser of chattel paper taking possession (or controlling electronic chattel paper) has priority over security interest claimed "merely as proceeds" by an existing secured party even if the purchaser knew of it but did not know that the secured party's rights were being violated or, under the bill, the interest was not indicated on the chattel paper.

The bill defines "new value" as additional money or other specific consideration. But the holder of a PMSI in inventory is deemed to give new value for chattel paper constituting the new proceeds of the inventory.

### ***Investment Property***

As under current law, a security interest in investment property perfected by control is superior to one perfected by filing even if filing occurred first. If competing interests are perfected by control, the bill ranks them in priority of time rather than equally, as under current law. As under current law, a security interest perfected by control in favor of the debtor's securities intermediary has priority over a security interest perfected by filing or control. As under current law, a secured party's possession under a security agreement of a registered security certificate without any necessary endorsements has a security interest superior to an interest of another perfected by filing.

### ***Deposit Accounts***

Unlike current law, the bill applies to commercial deposit accounts. Under the bill, a security interest perfected by control is superior to one perfected by another method and if competing interests are perfected by control they rank in priority of time. A security interest



perfected by control in favor of debtor's depositary bank and its right of recoupment or set-off is superior to a security interest of a competing secured party unless it perfected by control by becoming the depositary bank's customer on the deposit account. A transferee of funds from a deposit account in which the secured party has a security interest takes free of that interest unless the transferee colludes with the debtor to violate the rights of the secured party.

### ***Letter of Credit Rights***

The bill allows automatic perfection of a security interest in a letter of credit right that is a supporting obligation and permits perfection of a letter of credit right by control. Under the bill, a letter of credit right perfected by control is superior to a security interest perfected as a supporting obligation. Competing interests perfected by control are ranked in priority of time. A security interest in a letter of credit right is subordinate to the rights of a transferee beneficiary or nominated person under letter of credit law.

### ***Proceeds***

Proceeds are whatever is received on sale, exchange, or other disposition of collateral. The bill expands the definition of proceeds to include rentals for the lease of goods and licensing royalties but deletes whatever is received on collection. It also provides that claims arising from loss, defect, nonconformity, or interference with the collateral and insurance proceeds resulting from the collateral are proceeds. As under current law, on sale, exchange, or other disposition of collateral, a secured party's security interest continues in any identifiable proceeds. The bill permits any method that the law permits to trace cash proceeds when they are commingled with other property.

Under current law, the perfection of the security interest in proceeds continues for 10 days and the secured party may then need to take additional steps to continue the perfection. The bill expands this period to 20 days and the time limit does not apply to identifiable cash proceeds. As under current law, a secured party's priority in proceeds generally relates back to the date of its priority in its security interest in the original collateral.

A secured party with an inventory PMSI that has priority over an earlier filed secured party has priority in proceeds of the inventory in certain circumstances. As under current law, the inventory PMSI has priority if the proceeds are identifiable cash proceeds received by the debtor on or before delivery of the inventory to the buyer. The bill also gives the secured party with PMSI priority if the proceeds are instruments, chattel paper, or proceeds of chattel paper that it possesses or otherwise perfects. A transferee of money takes free of the security interest unless the transferee colluded with the debtor to violate the secured party's rights.

Under the bill, a perfected possessory or control security interest in a deposit account, investment property, letter of credit right, chattel paper, instrument, or negotiable document has priority over a security interest perfected by an earlier filing in certain circumstances. In these cases, the secured party also has priority in cash proceeds of the collateral or proceeds that are the same type as the original collateral or are an account relating to the collateral. The first-to-file-or-perfect priority rule applies to priority in proceeds but, under the bill, first-to-file applies when (1) the secured party has a perfected security interest in a deposit account, investment property, letter of credit right, chattel paper, instrument, or negotiable document by method other than filing; (2) that security interest has priority over a security interest in the same collateral perfected by filing; and (3) the proceeds are not cash proceeds or a deposit account, investment property, letter of credit right, chattel paper, instrument, or negotiable instrument.

The bill eliminates special proceeds rules for when the debtor is insolvent. It also deletes special rules for returned or repossessed goods.

### ***Statutory Liens***

As under current law, the bill makes possessory mechanic's liens (liens for services and goods furnished in the ordinary course) superior to a secured party's security interest in the goods unless the lien statute provides otherwise.

### ***Sellers***

An unpaid seller without a perfected PMSI in goods sold to a debtor usually does not prevail over a secured party of the debtor who holds a perfected security interest in the goods. But under the bill, an unpaid seller with a possessory PMSI in the goods has priority over a secured party of the debtor who holds a perfected security interest in the goods.

### ***Fixtures***

The bill applies the same general rules to fixtures as current law. A PMSI in goods that become fixtures generally prevails over an existing interest of a competing real estate claimant if a fixture filing (filing in the local real estate recording office as well as the secretary's office) is made within a certain period after the goods become fixtures. The bill extends the period to file from 10 to 20 days. The bill also adds a rule giving a secured party with a security interest in a manufactured home priority over a competing real estate claimant if the security interest was perfected in a manufactured-home transaction under the certificate of title statute.

### ***Crops***

Under the bill, a perfected security interest in crops has priority over the interest of an owner or mortgagee of real estate if the debtor is the owner or is in possession of the real estate. The bill eliminates the provision in current law that a security interest has priority over an earlier perfected security interest to the extent it secures an obligation due more than six months before the crops become growing crops, even if it had knowledge of the earlier security interest if the secured party gave new value to enable the debtor to produce crops during the production season and it was given not more than three months before the crops become growing crops.

### ***Accessions***

Accession occurs when goods physically unite with other goods but the identity of the original goods is not lost. The bill deletes the priority rules for accessions in current law. But it provides that a security interest in an accession is junior to the interest in the overall collateral perfected under a certificate of title statute. It also provides

that a secured party who removes an accession from other goods must promptly pay the holder of a security interest or lien or owner of the goods to repair any physical injury to the goods. This does not include a decrease in value caused by removing the goods or having to replace them. A person (other than the debtor) can refuse to allow removal of the goods until given adequate assurances of reimbursement.

### ***Commingled Goods***

As under current law, if two secured parties have perfected security interests in goods that are commingled with each other so that they can no longer be identified and neither has a prior security interest in the other's goods, then both have a security interest attached to the new product. Under the bill, each party's security interest is equal to the proportion that the value of his collateral bore to the sum of the values of both parties' collateral when they were commingled.

### ***Filing Problems***

Unlike current law, if the filing office improperly rejects a financing statement, the bill makes the security interest subordinate to the interest of a subsequent purchaser who gives value in reliance on the filing office's clean record.

Under the bill, if a secured party files a financing statement with incorrect information, the secured party's interest is subordinate to a later perfected secured party who gave value and relied on the incorrect information. A purchaser can also take the collateral free of the earlier interest if they give value in reliance on the incorrect information.

## **THIRD PARTIES**

### ***Account Debtors***

An account debtor is someone obligated on an account, chattel paper, or general intangible. The bill provides that a person obligated to pay on a negotiable instrument is not an account debtor.

***Claims And Set-Offs.*** Where there is a contract between the debtor

and the account debtor creating the secured party's security interest in an account, chattel paper, or general intangible, the account debtor can assert a claim or defense against the secured party arising from the contract. The account debtor can also assert a claim or defense on any other obligation of the debtor to the account debtor except for those from other obligations after the account debtor is notified of the security interest. The bill clarifies that in commercial transactions, claims or defenses of an account debtor can be asserted only to reduce the amount owed. The bill's rules are subject to any consumer laws and it provides that a consumer account debtor has the benefit of certain notices required to be written on an account, general intangible, or chattel paper even if they are not stated. Under the bill, obligations of insurers under health-care insurance receivables are governed by other law.

***Agreements Not To Assert Claims Or Defenses.*** The bill allows all account debtors, rather than just consumer account debtors under current law, who are buying or leasing goods to agree generally not to assert personal claims or defenses against an assignee subject to any contrary consumer law.

***Assignments.*** As under current law, an account debtor must pay a person who is assigned (the assignee) an account, chattel paper, or general intangible on notification of the assignment and direction to pay the assignee. As under current law, an account debtor can require reasonable evidence of the assignment. Under the bill, an account debtor can elect not to pay an assignee if a payment intangible agreement restricts payments to third parties or if the account debtor would have to make multiple payments or pay multiple parties.

The bill clarifies that the (1) account debtor cannot discharge his obligation after receiving notice by paying the assignor and (2) payment to the assignor before notification or to the assignee after notification discharges the obligation. It also requires an assignor who receives payment after notification to return the payment to the account debtor or send it to the assignee.

Current law generally prohibits legal restrictions on assignments. Clauses restricting the creation or enforcement of a security interest in an account or general intangible are ineffective. The bill also applies

this rule to payments under chattel paper and promissory notes. It also prohibits a restriction that prevents attachment, perfection, or enforcement of a security interest in accounts or chattel paper. And a clause or rule relating to any general intangible is ineffective if it prevents a security interest from attaching or becoming perfected, as long as the rights of the account debtor or other party imposing the anti-assignment clause or rule are not disturbed. The security interest can attach and be perfected but the secured party cannot enforce it without the consent of the account debtor or other party.

The bill's provisions on restricting assignments prevail over other statutes unless a statute refers specifically to the sections of this bill and states that it prevails.

The bill excludes from its assignment provisions certain types of property: (1) health-care insurance receivables, (2) lottery winnings, (3) structured settlements, (4) workers' compensation, and (5) certain federal provisions.

The bill similarly prohibits clauses restricting assignments in lease agreements. But such a clause is effective to the extent there is a transfer of the right of possession or use of the goods or a delegation of a material performance of either party to the lease. A security interest in the lessor's interest is not a material impairment unless enforcement of the security interest results in delegating material performance of the lessor.

### ***Depository Banks***

Under the bill, a depository bank has no obligation to deal with a secured party about the deposit account unless the secured party controls the deposit account. Also, the depository bank has no obligation to enter into a control agreement with the secured party relating to the deposit account even if the debtor customer requests it. But a secured party can get control by putting the account in its name.

### ***Letter of Credit Issuers***

Under the bill, a clause in a letter of credit restricting its transfer does not prevent attachment or perfection of a security interest in it that is a

supporting obligation, as long as the rights of the issuer or nominated person are not disturbed.

## **RIGHTS AND DUTIES**

As under current law, the parties can set standards for complying with a debtor's or obligor's rights and a secured party's duties if they are not manifestly unreasonable. But the bill prohibits these standards from being unreasonable in a consumer transaction.

### ***Reasonable Care***

A secured party possessing collateral generally must use reasonable care to preserve it. Under current law, a secured party can repledge collateral it possesses. Under current law, the secured party cannot do so if it impairs the debtor's right to redeem the collateral but the bill eliminates this prohibition. The bill also permits a repledge when the secured party controls the collateral. Under the bill, a non-consumer debtor can agree to change these provisions. Also under the bill, the secured party's duties do not apply when he is a buyer of accounts, chattel paper, payment intangibles, promissory notes, or is a consignor unless (in the case of the duty of reasonable care) the buyer or consignor has recourse against the debtor or secondary obligor based on a credit or other default of the account debtor or obligor on the collateral.

If the secured party possesses the collateral, the bill alters current law by placing the risk of accidental loss or damage, to the extent there is a lack of effective insurance coverage, on the secured party rather than the debtor.

### ***Duty to Account***

The law allows a debtor to ask the secured party to approve or correct the debtor's statement about the amount of secured obligations and the identity of collateral. A secured party must respond within two weeks or risk liability for any loss to the debtor from the failure to respond. If the secured party sold the interest in the secured obligations and collateral, it must disclose the buyer's name and address if known. The bill adds a right of the debtor to request an accounting of the

unpaid security obligations.

### ***Duty to Terminate or Release***

The law requires a secured party to file a termination statement when the secured obligation is paid and there is no further commitment to extend credit if the financing statement covers consumer goods. If it does not cover consumer goods, the debtor must request filing or a copy to file. The secured party is liable to the debtor for any loss due to its failure to respond. If the secured party does not file the termination statement, it can be filed if the debtor indicates his authorization. The bill provides similar provisions for release of control of collateral and releasing account debtors from obligations to make payments to the secured party.

### ***Unknown Parties***

Under the bill, a secured party does not owe a duty to (1) an unknown debtor or obligor or (2) a secured party or lienholder who filed a financing statement against the debtor, if the secured party does not know the debtor. A secured party owes a duty to a debtor or obligor only if the secured party knows that a person is a debtor or obligor and knows how to communicate with him. The secured party's knowledge is determined based on his good faith obligations. The bill also prevents liability to these unknown people.

### ***Type of Transaction***

Under the bill, a secured party is not liable if he reasonably believes (based on reasonable reliance on a debtor's representations about the collateral's use or acquisition, or an obligor's representations about the purpose of the secured obligation) that a transaction is not a consumer or consumer goods transaction when in fact it is. The bill specifies that a secured party is only liable once for any one secured obligation under the special damages provision that applies to consumer goods transactions.

## **CHOICE OF LAW/MULTIPLE STATE TRANSACTIONS**

As under current law, a provision of a security agreement choosing



which law to apply is usually respected for issues of contractual rights and obligations of the debtor and secured party as long as the secured transaction bears a reasonable relation to the jurisdiction whose law is chosen. Under the bill, the choice of a jurisdiction's law does not need a reasonable relation to the transaction when it involves a depositary bank and a deposit account.

Parties cannot contractually vary the choice of law rules dealing with perfection and priority of the security interest.

### ***Perfection***

Under current law, which jurisdiction's law applies to a security interest depends on the type of collateral involved. The bill changes these rules and expands them to include rules for certain types of collateral.

The bill eliminates the general rule that the governing law is the law of the jurisdiction where the collateral is located when the last event occurs on which the assertion of perfection or non-perfection is based. Under the bill, the general rule is that the law of the jurisdiction where the debtor is located governs whether perfection takes place. It includes rules to determine where the debtor is located: (1) an individual debtor is located at his residence, (2) a debtor that is a registered organization is located in its state of organization, (3) an organization is located at its place of business or its chief executive office if it has more than one place of business, and (4) a foreign debtor is located in the District of Columbia if there is no public filing system that enables a secured party to prevail over a subsequent lien creditor.

The bill provides several specific rules.

1. For possessory security interests and security interests in fixtures and timber to be cut, the law of the jurisdiction where the collateral is located governs perfection.
2. When ownership of goods is shown by a certificate of title and the secured party's security interest must be noted on the certificate, the law of the issuing jurisdiction governs perfection. But if the titled goods are inventory, the law of the debtor's location applies.

3. For agricultural liens, the law of the jurisdiction where the farm products are located governs perfection.
4. For investment property, the law of the jurisdiction where the debtor is located governs whether a security interest is perfected by filing and certain types of automatic perfection. If perfection is not claimed by filing, whether perfection occurred is determined by the law (a) where the security certificate is located, (b) of the issuer's jurisdiction for an uncertificated security, (c) of the securities' intermediary for a security entitlement or securities account, and (d) of the commodity intermediary's jurisdiction for commodity contracts or accounts.
5. For deposit accounts, the law of the depository bank's jurisdiction governs whether perfection of a security interest in a deposit account takes place (unless an agreement provides otherwise or indicates the account is maintained at a particular office in a jurisdiction).
6. For letter of credit rights, the law of the jurisdiction of the issuer or nominated person generally applies. If the jurisdiction is not in the United States, then the law of the debtor's location governs.

The bill deletes specific provisions for mobile goods and PMSI in goods that the parties understand will be kept in another jurisdiction.

Under the bill, the effect of perfection, non-perfection, or priority is governed by the same law that determines whether perfection occurs for most types of collateral. But the bill provides exceptions to the rule. The court must look to the jurisdiction:

1. where the collateral is located for negotiable documents, goods, instruments, money, or tangible chattel paper;
2. where the security certificate is located for certificated securities;
3. where the issuer is located for uncertificated securities; and
4. where the securities or commodity intermediary is located for

security entitlements, commodity contracts, securities accounts, and commodities accounts.

## **POST-FILING CHANGES**

Under current law, a secured party must file a new financing statement within four months of a debtor changing his name if the change makes an existing financing statement seriously misleading. If the secured party does not file a new statement, its interest in assets acquired by the debtor after the four month period is unperfected. The bill allows the secured party to amend an existing financing statement rather than file a new one.

The bill also eliminates the rule that a secured party must perfect its security interest by filing a new financing statement within four months of the collateral moving out-of-state.

### ***Debtors Transferring Collateral***

Under the bill, if a secured party has a perfected security interest in collateral by filing in the debtor's jurisdiction and the collateral is transferred to a new debtor in another jurisdiction, the secured party has one year to file a financing statement in the new location to maintain the perfected security interest.

A debtor (transferor) can transfer collateral that is subject to a perfected security interest to another party (transferee) who creates a security interest in another secured party. Under the bill, the transferor's security interest prevails regardless of time of filing or perfection.

Under the bill, when a transferee becomes generally liable for debts of the transferor, the transferee is bound by the original security agreement for existing and after-acquired collateral. The security interest generally remains effective as to the collateral transferred to the transferee and after acquired property. A filing that would have perfected the security interest with the transferor generally perfects that interest in goods held by a transferee. The secured party of the original debtor (the transferor) must perfect his security interest by filing in the jurisdiction of the new debtor (the transferee) within one

year if it is a different jurisdiction.

If the change in debtors is seriously misleading, the financing statement remains perfected only for property acquired within four months and becomes ineffective unless an initial filing statement with the new debtor's name is filed.

### ***Titled Goods***

As under current law, a secured party can perfect a security interest in titled goods by noting the interest on the title certificate. Under current law, a security interest continues for four months if a debtor in another jurisdiction obtains the title certificate without a notation of the security interest if the original certificate is not surrendered. But the security interest can be subordinated to the interest of an innocent buyer (who is not in the business of selling those type of goods).

Under the bill, the security interest remains perfected as long as the security interest would have remained perfected if the goods had not been covered by the new title certificate. But the interest is unperfected against a purchaser of the goods for value unless the secured party repossesses the goods during the four-month period. An innocent buyer (other than a dealer) who buys the goods within the four-month period relying on the clean title certificate takes the goods without the security interest. An innocent secured party has priority over the earlier security interest if it extends credit relying on the clean title certificate, takes a security interest in the goods, and perfects its interest.

## **ENFORCEMENT**

After a debtor defaults, a secured party has the right to repossess the collateral. The secured party can sell the collateral and apply the proceeds to satisfy the debt or retain it to satisfy the debt without going to court. The secured party can collect the collateral from account debtors and people obligated on the instruments. The secured party can also use court procedures to foreclose. If the secured party does not follow the laws on enforcement it can be liable to the debtor and other interested parties for damages.

As under current law, the secured party's remedies after default are cumulative. The bill specifies that they can be exercised simultaneously but other law can prohibit this in a consumer transaction.

As under current law, default is determined by the security agreement. But the bill specifies that default under an agricultural lien occurs when the secured party has the right to enforce the lien.

Under the bill, the enforcement provisions do not apply to consignors or buyers of accounts, chattel paper, payment intangibles, or promissory notes.

### ***Collection***

As under current law, a secured party can collect payments directly from account debtors and people obligated on instruments by notifying them to pay the secured party directly. Under the bill, a secured party that is an assignee of an obligation secured by a real estate mortgage has the right to become the mortgagee of record on the debtor's default in order to foreclose nonjudicially on the mortgage (if nonjudicial foreclosure is allowed by the law). Under the bill, a secured party with a security interest in a deposit account that it maintains can apply funds in the deposit account to the secured debt. If there is a control agreement, the secured party can instruct the depository bank to pay the balance to the secured party. It also allows a secured party to deduct its collection expenses from collections made in a commercially reasonable manner.

### ***Repossession and Sale of the Collateral***

A secured party can take possession or control of the collateral if it will not be a breach of the peace. A secured party can then sell or dispose of collateral by a public or private sale and apply the proceeds to satisfy the secured debt (the sale or disposal must be commercially reasonable and the debtor cannot waive this requirement). As under current law, the secured party must send the debtor and certain other people reasonable notice of the time and place of sale unless the collateral is perishable, threatens to speedily decline in value, or is a type customarily sold on a recognized market (after default, the debtor

may waive right to notice). The bill also requires the secured party, in commercial cases, to notify superior interests as well. The sale generally discharges all subordinate interests in the collateral.

Under the bill, a secured party can dispose of collateral by license, can disclaim or modify disposition warranties, and must provide disposition notification (when required) to all lien holders of the collateral that are disclosed on searching the recording office within certain time limits. The bill provides that 10 days notice is considered reasonable in commercial transactions. The bill specifies that a secured party automatically gives title warranties unless disclaimed.

**Fixtures.** As under current law, a secured party who has priority over owners and others with interest in the real property can remove collateral that is a fixture. The secured party must reimburse an owner or other party for physical injury caused by removal. The bill allows the debtor to seek reimbursement for repairs.

**Electronic Self-Help.** The bill defines electronic self-help as using electronic means to exercise the secured party's rights after default under the security agreement. Electronic is electrical, digital, magnetic, or wireless optical electromagnetic properties or similar capabilities.

The bill allows a secured party to use electronic self-help if the debtor agrees to a term authorizing it and requiring notice. The secured party must give notice (1) that it will use electronic self-help no sooner than 15 days later, (2) stating the nature of the claimed breach, and (3) stating the name, title, address, and phone number of the secured party's representative that the debtor can contact about the security interest.

The bill allows a debtor to recover direct and incidental damages and consequential damages (even if prohibited by the security agreement) for a secured party's wrongful use of electronic self-help.

The bill prohibits a secured party from using electronic self-help if he has reason to know that it will cause substantial injury or harm to public health or safety or grave harm to the public interest that substantially affects third parties not involved in the dispute.

***Retention of the Collateral in Satisfaction of the Debt***

Under current law, a secured party that possesses the collateral can retain it to satisfy the debt if written notice is sent to the debtor and others who must receive notice and the secured party does not receive a written objection with 21 days. A secured party must dispose of the collateral if someone objects to retention and a secured party cannot retain certain consumer goods when a significant portion of the purchase price has already been paid unless the debtor renounces his rights in writing.

Under the bill, a secured party in a commercial transaction can retain the collateral in satisfaction of the secured debt even if he does not possess it. Under the bill, the notice of retention from the secured party must be authenticated rather than written and the period for objection is 20 instead of 21 days. But nothing prevents a consumer in a consumer goods transaction from proving by means other than an authenticated record that a secured party agreed to accept the collateral in full satisfaction. Under the bill, the secured party can retain the collateral in partial satisfaction in a commercial transaction but not consumer transactions. Full or partial satisfaction requires the debtor's consent in an authenticated record after default. Under the bill, the secured party is not deemed to have retained collateral in satisfaction unless it takes all the steps required by the bill.

***Application of Noncash Proceeds***

Under the bill, if a secured party receives non-cash proceeds by collection or disposing of the collateral, he may value them and apply them to the debt in a commercially reasonable manner. The secured party can collect or dispose of them until converted to cash to apply to the debt. The parties can provide the method of applying them if the method is not manifestly unreasonable.

***Surplus or Deficiency***

In consumer goods transactions where the debtor is entitled to a surplus or an obligor is liable for a deficiency, the secured party must send an explanation no later than the time it pays a surplus or first makes a written attempt to collect a deficiency. The explanation must

include the amount of surplus or deficiency, the method of calculation, and certain details of the calculation. The secured party must send an explanation within 14 days of receiving an authenticated request for one after disposition. An explanation that substantially complies with the requirements is sufficient even if it includes minor errors that are not seriously misleading.

***Sale of Accounts, Chattel Paper, Payment Intangibles, or Promissory Notes.*** In certain cases the secured party is not required to pay the debtor any surplus in the collection or disposition of collateral and the debtor is not liable for any deficiency. Under current law, this applies to secured transactions involving a sale of accounts or chattel paper. The bill expands this list to include a sale of payment intangibles or promissory notes. As under current law, the parties can agree otherwise.

### ***Non-Compliance***

As under current law, the secured party is generally liable to the debtor for any loss caused by the secured party's failure to comply with the enforcement provisions. Under the bill, if a secured party forecloses improperly and brings a deficiency action against the debtor in a commercial transaction, the value of the collateral is presumed to be equal to the entire debt unless the secured party can show otherwise (as under Connecticut caselaw). The bill allows the courts to determine the proper rules to apply to consumer transactions and they may not infer anything from the bill's rules and can continue to apply established approaches. The bill specifies that the courts can apply principles of existing law including laws for determining a deficiency or surplus that apply in consumer transaction in similar goods under the retail installment sales financing laws. The determination of a deficiency or surplus in a consumer transaction is subject to the court's determination of the proper rule.

### ***Disposition Notices***

Current law requires reasonable authenticated notice before disposing of collateral. The bill specifies, except in consumer goods transactions, notification of disposition is sufficient if it (1) describes the debtor, secured party, and collateral, (2) states the method of disposition, and



(3) states that the debtor is entitled to an accounting of the unpaid indebtedness and the charge (if any) for the accounting, and (4) the time and place of public disposition or the time after which any other disposition is to be made. No particular phrasing is required. It is a question of fact whether a notice lacking any of these items is sufficient. The notice is substantially sufficient if it includes information not required and minor errors that are not seriously misleading.

Under the bill, for consumer goods transactions, a notice of disposition must include (1) all the information required for non-consumer goods transactions, (2) a description of any liability for a deficiency, (3) a telephone number to find out what must be paid to the secured party to redeem the collateral, and (4) a telephone number or address for additional information about the disposition and secured obligation. No particular phrasing is required.

Under the bill, disposition notices must be given to guarantors and other secondary obligors and they can only waive the right to notification after default. But a secured party is not liable for failing to provide notice to someone unknown to him.

### ***Insider Dispositions for Low Value***

Under the bill, if a secured party, person related to him, or a secondary obligor acquires collateral at a foreclosure sale at a price significantly below the range of proceeds that would come from a disposition to an unrelated person, any deficiency is adjusted for the higher amount that an unrelated purchaser would have paid.

### ***Consumer Provisions***

Under the bill, notice to a consumer debtor 10 days before disposing of the collateral is not by itself reasonable notice. The bill also requires a secured party to explain to a consumer debtor the calculation of any deficiency claim before demanding payment. Under the bill, in consumer transactions, a secured party cannot retain collateral that the debtor does not possess and cannot retain collateral only in partial satisfaction of the secured debt. Also under the bill, a consumer debtor cannot waive the right of redemption.

***Assignment of Mortgage Notes***

If on default the secured party is allowed to non-judicially foreclose on a mortgage note but cannot do so because the assignment of the mortgage to him is not recorded, the bill allows the secured party to record the security agreement in the appropriate office with an affidavit certifying default. The bill does not create a right to nonjudicial foreclosure if it does not otherwise exist.

***Transfer Statements***

Under the bill, a transfer statement is a record authenticated by the secured party that (1) the debtor defaulted on an obligation secured by certain collateral, (2) the secured party exercised remedies against the collateral, and (3) a transferee has acquired the debtor's rights to the collateral. The statement must also include the name and address of the secured party, debtor, and transferee.

The transfer statement allows a transferee to obtain record or legal title to the collateral. If presented with the filing fee to the official or office who maintains the system, the official or office must accept the transfer statement, amend its records, and if necessary issue a new certificate of title in the transferee's name.

The bill specifies that this is not in itself a disposition of collateral and does not relieve the secured party of its duties.

**GOOD FAITH**

Under current law, good faith is defined as honesty in fact. The bill expands the definition to include the observance of reasonable commercial standards of fair dealing.

**TRANSITION RULES**

The bill becomes effective on February 1, 2002 and applies to all transactions, security interests, and other liens within its scope including those created before February 1, 2002. The bill does not apply to litigation pending on February 1, 2002. The bill includes

transitional provisions to continue the validity of security interests even if they do not meet the bill's requirements. Secured parties must meet certain deadlines to continue the validity of their interests.

The bill establishes rules to determine the priority of conflicting claims to collateral but it preserves priorities established before February 1, 2002. If priority for a security interest is based on the filing of a financing statement before February 1, 2002 and the statement is effective under the bill but not current law, priority does not relate back to the filing date but is effective on February 1, 2002.

The bill contains a number of transition rules.

1. Transactions and liens not within the scope of current law that are validly created before February 1, 2002 remain valid and can be enforced after February 1, 2002 under current law or under the bill's provisions.
2. Security interests that are enforceable and perfected under current law prior to February 1, 2002 continue without need for further action if it satisfies the bill's requirements for attachment and perfection. If it does not meet the bill's requirements, the security interest continues perfected for one year after February 1, 2002 and will only be enforceable and perfected after that date if it satisfies the bill's requirements for attachment and perfection during that period. (See below for rules on filing financing statements.)
3. If a security interest created prior to February 1, 2002 is enforceable but unperfected under current law, the security interest remains enforceable but unperfected for one year after February 1, 2002. The security interest remains effective if it satisfies the bill's rules within the one-year period. The security interest is perfected when it meets the bill's perfection requirements.
4. In some cases, if a secured party takes action (other than filing) to perfect a security interest that satisfies current law prior to February 1, 2002, it can attach to collateral after February 1, 2002 but the security interest will not satisfy the bill's requirements. In these cases, a security interest that attaches during the one-year period after February 1, 2002 is perfected but becomes unperfected

as to the collateral and all after-acquired collateral at the end of that period unless the security interest meets the bill's requirements for attachment and perfection.

### ***Filing***

The bill includes several specific transition rules for filing financing statements:

1. A financing statement filed before February 1, 2002 that meets the bill's requirements for perfection by filing perfects the security interest. Even if the filing is ineffective under current law, it becomes effective under the bill and perfection dates to February 1, 2002. But a continuation statement filed to continue the perfection of a security interest must meet the bill's requirements for initial financing statements.
2. A financing statement filed before February 1, 2002 that complies with current law but not the bill's requirements is effective until June 30, 2006 or until it lapses (whichever is earlier).
3. After February 1, 2002, a secured party must file an initial financing statement rather than a continuation statement to continue the effectiveness of a financing statement filed before then unless the bill (a) does not require a change in the applicable filing office, (b) the continuation statement meets the bill's requirements for filing a continuation statement, and (c) the pre-February 1, 2002 financing statement and continuation statement taken together satisfy the bill's requirements for an initial financing statement.
4. A financing statement filed in the proper jurisdiction under current law but the wrong jurisdiction under the bill is ineffective if it is filed after February 1, 2002. To continue the effectiveness of a financing statement filed before that date, the bill requires the secured party to (a) file an initial financing statement in the jurisdiction required by the bill; (b) comply with the bill's requirements for financing statements; (c) specifically identify the pre-February 1, 2002 financing statement by indicating the prior filing office, date and number of the financing statement, and most recent continuation statement filed on it; and (d) indicate that the

previous financing statement remains effective. The new initial financing statement can be filed anytime.

### **Amendments**

Under the bill, new financing statements must include amendments to cover the bill's changes in terminology and collateral categories. The amendments must satisfy the bill's requirements for financing statements. The bill no longer requires the debtor's signature but requires his authorization in an authenticated record or a security agreement.

Under the bill, an amendment refers to a change in the financing statement that (1) adds or deletes collateral in it, (2) continues or terminates it, or (3) amends information in it. Under the bill, amendments filed after February 1, 2002 to financing statement filed before that date are effective only if they follow the law of the jurisdiction governing perfection, except in certain circumstances for filing termination statements.

The bill lists specific methods for amendments after February 1, 2002:

1. If the pre-February 1, 2002 financing statement is on file in the office required by the bill's provisions, then the secured party files an amendment there.
2. If the pre-February 1, 2002 financing statement is on file in a location other than the office required by the bill, the secured party (a) files an amendment to the new initial financing statement with or after filing it in the new location required by the bill or (b) files an initial financing statement in the location required by the bill with the amendment information.

The bill allows a secured party to file an amendment to terminate the effectiveness of a pre-February 1, 2002 financing statements in the office where the financing statement is filed.

The bill allows a secured party to file an initial financing statement or a continuation statement if the secured party of record authorizes it and it is required to perfect or continue the perfection of a security interest

or to continue the effectiveness of a pre-February 1, 2002 financing statement.

## **FILING OFFICE REQUIREMENTS**

In making information on financing statements available, the bill allows the filing office to use any medium but it must issue a written certificate if requested. The secretary of state's office must respond to requests for information and acknowledgment of filing as required by its regulations but no later than five business days from receiving the request. As under current law, a person can request information on whether there are any financing statements filed on a debtor. The bill allows a request for the information in each financing statement but not information as to collateral.

Under the bill, the fees charged by the secretary's office remain the same but the bill adds a \$25 fee for responding to a request for information as well as issuing a certificate concerning whether a financing statements names a debtor or an assignment. The bill requires a \$20 fee if photographic or electronic copies of financing statements or amendments are requested and an additional \$5 for certification and an official seal. Under current law the fee is \$5 plus \$4 for every page after three pages.

The bill excuses delay by the filing office beyond a time limit if the office exercises reasonable diligence under the circumstances or there is an interruption of communication or computer facilities, war, emergency conditions, failure of equipment, or other circumstances beyond the office's control.

The bill requires the secretary's office to offer to sell or license filing records to the public in bulk on a nonexclusive basis in every medium available to the filing office at least monthly.

## **OTHER CHANGES**

### ***Sale of Goods***

By law, a buyer or seller can assign their rights unless it materially changes the duty of the other party, materially increases the burden or

risk imposed by the contract, or materially impairs the chance of obtaining return performance. The bill specifies that creation of a security interest is not a material change unless enforcement of the security interest delegates material performance to the seller. In that case, the security interest remains effective but the seller is liable to the buyer for damages caused by delegation that the buyer could not reasonably prevent and a court can grant relief including canceling the contract or preventing enforcement of the security interest.

Under current law, a buyer who paid at least part of the price for identified goods can recover them when the seller becomes insolvent in certain circumstances. The bill adds this right to recover the goods for consumer goods when the seller repudiates the contract or fails to deliver the goods.

Current law also gives a buyer a right to a legal action to recover identified goods when replacement goods are reasonably unavailable. The bill specifies that the buyer's right for consumer goods vests when the goods are identified to the contract.

### ***Letter of Credit Law***

The bill gives the issuer of a letter of credit or a nominated person an automatically perfected security interest in a document presented to him under the letter of credit to the extent he gave value for it. A security agreement is not required. The document can be presented in any medium. The security interest has priority over a conflicting security interest if the document is (1) in a written or tangible medium; (2) not a certificated security, chattel paper, document of title, instrument, or letter of credit; and (3) not in the debtor's possession.

### ***Investment Securities Law***

Under current law, a purchaser has control of a security entitlement if it is the entitlement holder or if the security intermediary agrees to act on the purchaser's entitlement orders. The bill also gives a purchaser control if another person has control but acknowledges that it does so for the purchaser.

Under current law, one method of delivery of a certificated security to

a purchaser is when a security intermediary, acting for the purchaser, acquires possession of a registered security certificate that is specially endorsed to the purchaser. The bill adds that it cannot be endorsed to the securities intermediary or in blank. The bill also adds that it can be delivered when the securities certificate is registered in the purchaser's name or payable to the purchaser.

The bill no longer requires delivery for a purchaser of a certificated or uncertificated security to acquire all the rights in the security that the transferor had the power to transfer.

The bill provides priority rules (similar to those in the bill for priority in investment property) that apply to a security entitlement when multiple non-secured party purchasers have control but do not specify their rights by agreement. If a securities intermediary is a purchaser it has priority over the interest of another purchaser who has control. Under current law there is a pro-rata rule for these cases.

### ***Other Statutes***

As under current law, a judgment lien (other than a consumer judgment) can be placed on nonexempt personal property in which a security interest could be perfected by filing with the secretary's office. Exempt property includes necessary apparel, bedding, and foodstuffs; health and disability insurance payments; and court-approved payments for child support. The person creates the lien by filing a judgment lien certificate with the office. The bill specifies that the person can file with the office as if the debtor were located in this state. But if the debtor is not located in this state, the judgment lien is effective only for the debtor's tangible personal property in this state.

For failure to pay certain taxes, the state can have a lien against goods owned by a person in the state. The lien is filed using the secured transactions' filing system. The bill specifies that the lien is filed as if the debtor is located in this state. The bill adds the same rule to the notice of lien under the municipal personal property tax lien statute and provisions relating to pledges to or by the Connecticut Development Authority to secure its bonds or notes by filing a financing statement with respect to the security interest created by the pledge.



The bill also makes conforming changes.

**COMMITTEE ACTION**

Judiciary Committee

Joint Favorable Substitute

Yea 38      Nay 0